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AUTHOR Leach, Richard H.
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ABSTRACT

This report, an update of an earlier report from the Advisory Commission on Intergovernmental Relations, presents a review of urban America and its governmental capabilities. Chapters focus on: (1) urban America today (major aspects of the urban problem, changes in urban problems, changes in the perception of urban problem solving, and programs for meeting urban needs); (2) overcoming the urban fiscal problem (the plight of central cities, Federal action, State action, and the development of an effective and equitable state and local revenue system); (3) improving services in urban America; (4) restructuring local governments (the Federal role, and others); (5) solving the problem of metropolitan areas (urban development, urbanization, building requirements, urban development planning and land use regulation, and urban development policy framework); and (6) intergovernmental problems and strategies for the future. The report concludes that urban society is worth saving. The connection between the high standard of living in America and the urban setting of most American activity today is not coincidental. What is called for is a series of actions which will produce, at the end, a revitalized American urban scene. The Federal system already has begun to change. yet the need for urban statemanship at all levels remains great. (Author)

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AN INFORMATION REPORT

ED131149

Improving Urban America:

A CHALLENGE TO FEDERALISM

This document is based on research and
recommendations on urban and metropolitan
problems previously published by the Commission

U.S. DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
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Preface and Acknowledgments

Urban America is where most of this nation's people live and work. The tone of the whole nation is set in its urban communities even though most of the nation's territory remains rural. Similarly, a very large share of the nation's domestic problems are generated or occur in urban areas. These problems range from crime to transportation to poverty, and they involve everyone.

The Advisory Commission on Intergovernmental Relations, since its establishment in 1959, has studied many aspects of urban America. The problems of intergovernmental relations, after all, are especially vital, varied, and difficult in the nation's metropolitan areas, where all three traditional levels of government operate in close proximity.

In various of its policy reports, the Commission has dealt with alternative methods of local governmental organization and reorganization, authoritative local and areawide planning, Federal and state relations with local governments, the fiscal and servicing conditions of these governments, and the administration of several federally aided urban programs.

Taken together, these reports present a review of urban America and its governmental capabilities. The Commission's recommendations provide the foundation for a philosophy of intergovernmental relations and for a coordinated urban program of Federal, state, and local action.

With the continuing concern for positive programs of governmental and private action in the nation's urban areas, the periodic need to integrate and systematize the analyses and recommendations contained in the Commission's policy reports has been recognized.

This report is an update of the Commission's 1969 report entitled *Urban America and the Federal System.* The 1969 report, prepared by Allen D. Manvel, brought together into a single volume for the first time all of the Commission's findings and proposals relating to urban America as of that date. Since 1969, the Commission has moved ahead with a number of new reports on additional aspects of urban America. This new volume, then, has been prepared to make easily available in a single place all of ACIR's findings and proposals affecting urban areas as of 1975.

The manuscript was prepared by Professor Richard H. Leach of Duke University, and edited by Bruce D. McDowell, senior analyst on the Commission's staff. The manuscript was typed by Gloria K. Thomas and library assistance was provided by Patricia A. Koch. Others on the Commission's staff who commented on various parts of the draft were David R. Beam, L. Richard Gabler, Lawrence D. Gilson, Will S. Myers, Albert J. Richter, F. John Shannon, and Carl W. Stenberg. Overall supervision of this effort was assumed by David B. Walker, assistant director for structure and functions.

The Commission's staff takes full responsibility for any errors or omissions in this volume.

Wayne F. Anderson
Executive Director

Robert E. Merriam
Chairman

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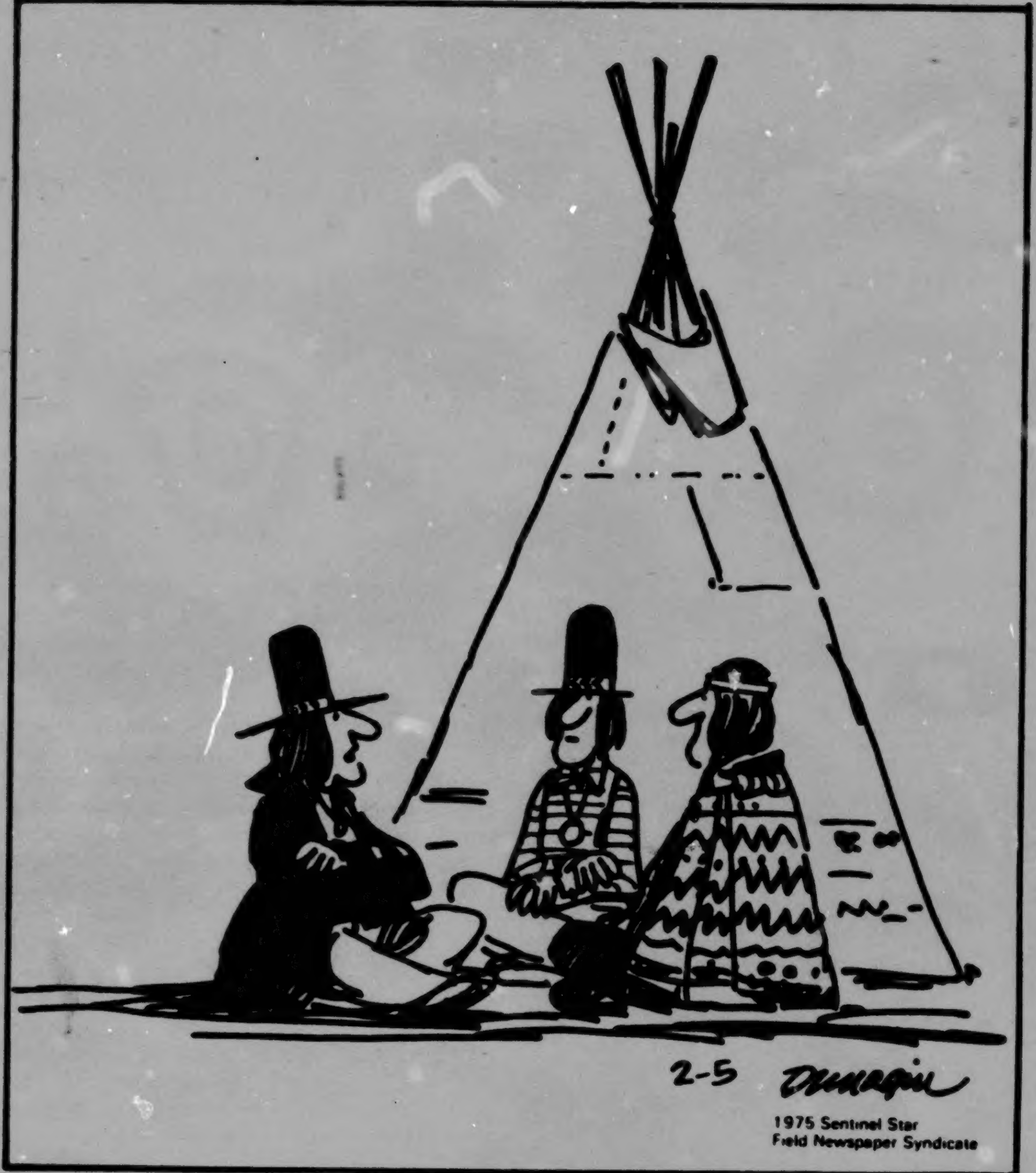
DUNAGIN'S PEOPLE


2-5
DUNAGIN
1975 Sentinel Star
Field Newspaper Syndicate

"WATCH FOR TRICKS IN THAT OFFER TO GIVE THE COUNTRY BACK TO THE INDIANS... THEY MIGHT WANT US TO TAKE THE CITIES, TOO."

Chapter I

Urban America Today

America is an urban nation. It crossed the 50 percent urban threshold at about the time of World War I. The question asked in the old song, "How Ya Gonna Keep'em Down on the Farm after They've Seen Paree?" has been answered emphatically by a growing majority of the American people. They have left the farm for good, and America has become predominantly urban.

Today almost 75 percent of all Americans live on 2 percent of the American land area, a majority of them crowded into the 276 areas defined as metropolitan by the U.S. government.[1] Those areas dominate American life. More than four-fifths of the nation's bank accounts are to be found there, about three-fourths of Federal personal income taxes are collected there, and almost four-fifths of the value added to goods by manufacture takes place there. In sum, most of the nation's wealth—and the power it engenders—is centered in its metropolitan centers. And along with financial and economic power, most of the social, cultural, educational, and political forces in American life also are centered in urban areas.

But urban America does not consist merely of those who live and work there. Urban America is a complex amalgamation of urban residents along with the declining number of Americans who still live and work in the nation's fields and forests, mines and ranges, as well as the millions of Americans who live in small towns and villages scattered across the country. The destinies of all these people, too, are tied to urban decisions and activities. The pace of life for the nation as a whole is dictated by the metropolitan part of the country.

Thus, the condition and future of urban America are matters of central concern to all Americans.

The future of urban America is central to the long-term viability of the American federal system, because of the severe tests of developments in recent decades. The Federal system was developed in the 18th century and was considered to be the only way then to link together for the common good the widely scattered citizens whose interests were predominantly agricultural. The pattern of multiple local units of government, loosely associated by a minimum of state action and control, and the states themselves linked for a few national purposes through the device of an overall national government was eminently suited to the early stages of American development.

In the 19th century, vast numbers of immigrants swelled the American population, and industry instead of agriculture became the nation's main economic interest, but the original pattern of government continued to be adhered to very largely. Indeed, it has proved to be remarkably durable, and even into the 20th century it proved to be sufficiently flexible to remain workable. However, the Great Depression of the 1930's, the subsequent national recovery effort, World War II, and the long subsequent period of tension abroad and at home severely strained the federal system. As the impact of the nation's dramatic evolution into a fully urban society began to be felt in the 1960s, it became obvious that a good many adjustments in the federal system would be necessary, not only for the nation's continued development and prosperity, but possibly for its survival as well. Some changes have already been introduced, as will be seen later in this chapter. Others remain for future action.

Thus, the condition of urban America, and the federal system which ties the nation together, are intimately related. The one must be analyzed as part of the other. Unfortunately, the condition of neither is as good at present as one might hope. True, it is hard to deny that most Americans benefit from the combination of goods and services that urban America has made possible in increasing quantities over the years. The American standard of living—which is largely set by our urban society—is still one of the highest in the world, and despite inequalities and disparities in and among urban areas, the American people are better off as they begin the last quarter of the 20th century than people in almost any other part of the world. As the 1974 *Report on National Growth and Development* demonstrated, whoever the critic, "he would have to conclude that [American] life has generally improved in quality, notwithstanding unevenness over the years. . . . [and current problems of inflation and a soft economy]. The statistics—for those things that can be measured in statistics—are generally good."[2] But in the United States, as elsewhere, the urban scene is also discouraging in many respects. "Urban America," noted Senator Robert Taft, Jr., of Ohio in 1972, perhaps overstating the case:

> Represents physical decay, crime, congestion, and pollution. It reflects a deterioration of our social fabric, a destruction of our old neighborhoods, and a corrosion of the inner city spirit.
>
> Urban America has suffered from decades of neglect, and commitments that were never fulfilled.[3]

As for federalism, the very size of the agenda of the Advisory Commission on Intergovernmental Relations, as revealed in its successive reports, suggests that many of the intergovernmental problems in America still have to be resolved. What ACIR has recommended as solutions to some of those problems will be reviewed briefly in this chapter and more thoroughly in those that follow.

In any case, there is widespread agreement today that alleviation and solution of America's urban problems are requisite not only because of their own intrinsic seriousness, but for the part they will play in correcting imbalances in federalism, to keep the United States a viable nation.

The Advisory Commission on Intergovernmental Relations has been concerned about problems in urban America since its creation. *Metropolitan America: Challenge to Federalism*, published in 1966, was an early attempt to pull together the Commission's urban recommendations, and they were subsequently brought together more comprehensively in its 1969 report *Urban America and the Federal System*. The latter attempted to place previous Commission studies in a broad context and summarize the Commission's conclusions up to that time about what needed to be done by all levels of government to use the federal system more effectively in attacking the problems of urban areas. Since that time, the Commission has continued to study urban problems in the federal context, and has concluded that another report on improving urban America is in order. This report, like the 1969 volume, reviews the problems facing urban America and summarizes adopted Commission recommendations on urban matters from all the relevant ACIR studies through 1975.

MAJOR ASPECTS OF THE URBAN PROBLEM

What are those problems, which, taken together, comprise the agenda for action to improve urban America? Briefly, they are problems of governmental services and functions, problems of finance, problems of jurisdiction and power, problems of urban development and land use, and problems of "special function government."

Problems of Services and Functions

The nation's urban areas suffer many specific deficiencies, including:

- housing problems in both decaying and blighted central cities and jerry-built suburbs, problems of adequacy in both number and quality of units;
- transportation problems, with private automobiles so crowding city streets and main access roads, and mass transit in such serious trouble, that effective movement of people to their jobs and work is becoming more and more difficult;
- pollution problems not only of the air above urban centers and of the waters which flow through them, but of the land itself as the solid wastes of America's throwaway society mount steadily;
- problems resulting from the lack of adequate open spaces in and near neighborhoods for recreational purposes;
- problems of safety in the streets and in the home, as crime and delinquency rates rise steadily in every part of urban America;
- education problems, with central city school systems struggling to attain standards which many suburban school systems find easy to achieve; and
- problems of racial unrest and civil disorder, many of which are rooted in long-standing and currently aggravating employment and other economic inequalities, making central cities pockets of poverty and disease.

In sum, the urban problem in America arises from the accumulated discontent of millions of human beings, mistreated, discriminated against, ignored, or dissatisfied with life in America's cities.[4] They have become increasingly alienated from government and the whole concept of liberty with order. And the dissatisfaction with city life and the problems of city living which cause it to follow those who move to the suburbs and spill over into outlying rural areas as well, spoiling even the anticipation for the better life they hoped to find in small towns and rural areas outside the great urban centers. The distinction, indeed, between urban and rural problems seems steadily to grow fainter.

To many of these service problems, solutions have been or are being devised. Why is it, then, that they have not been put into effect? How is it that, with such a large proportion of the nation's wealth in metropolitan areas, it has not been possible to solve metropolitan problems and put things right before they achieved crisis proportions? There may be two reasons: (1) a scarcity of resources generally and a disparity in resources between central city and suburban portions of metropolitan areas, and (2) a jurisdictional mismatch in those areas, leaving no suitable governmental unit to apply solutions.

Problems of Finance

The resource problem results from the following:

- The most elastic and productive governmental revenues are those of the national government, yet solutions to urban problems for the most part must be paid for by state and local governments, whose less responsive revenue systems have left them continually behind in the effort to meet expenditure demand. The Federal government collects about 90 percent of the nation's personal income taxes and about 70 percent of the rest of the nation's taxes, yet state and local governments must pay for about 70 percent of urban operating expenses. Therefore, Federal aid programs have become vital in helping state and local governments meet their service needs.
- Many local governments have little leeway financially, operating as they do under strict state constitutional and statutory limitations on their taxing and borrowing powers.
- State and Federal laws frequently mandate functions on local governments but then fail to make sure they have sufficient revenue capability to perform those functions.
- Generally, urban jurisdictions are left with the property tax and miscellaneous nuisance taxes as their chief sources of revenue, yet the property tax is perhaps the least satisfactory tax utilized by American governments, and certainly the least popular.
- Problems to be met in education, law enforcement, and sanitation are among the severest in

central cities, but most central cities are handicapped, if not disabled, by declining property tax values resulting from the flight of middle- and upper-income urban citizens and industry to suburban jurisdictions.

- Most states do not provide adequate urban aid, though the amount has been rising.
- Federal urban aid, which mounted dramatically throughout the 1960s, has been reallocated, curtailed, and in some programs ended altogether more recently.
- Small towns and counties in metropolitan areas are at a disadvantage in applying for discretionary state and Federal grants-in-aid because only the larger units of government can usually afford the staffs necessary to play the game of "grantsmanship" or are eligible for new community development and manpower block grants.

Problems of Jurisdiction and Power

Even if sufficient funds were available over time, solutions to urban problems would remain difficult because urban American lacks the political and governmental institutions to undertake effective comprehensive action. Among these limitations are:

- The system of local government in the United States has changed little from that of 17th century England from which it was adapted. That system was designed to meet the needs of much smaller populations with far less complex needs.
- Today, counties, cities, towns and townships, and, most recently, special districts by the thousands, fragment governmental power in metropolitan areas, making it difficult to act on an areawide basis.
- To add to the confusion, the states have been busy establishing and organizing substate districting systems which now extend to more than 500 regional areas. And 19 Federal grant-in-aid programs have resulted in another 1,800 regional districts handling specific programs in a narrow functional manner. Most of these overlie the existing local government structure in urban and rural areas in a crazy-quilt pattern.
- A "typical" metropolitan area today has some 90 units of general and special purpose government, including two counties, 13 townships, 21 municipalities, 18 school districts, 31 special districts or authorities in narrow functional fields, three or four Federally supported planning districts, and one regional council of governments.
- With all this proliferation, there generally is no match between the extent of the urban problems to be solved and the extent or authoritativeness of governmental jurisdictions to solve them.
- Although they are now in the process of reversing the trend, the states have been slow to use their legal, program, administrative, and fiscal powers to rationalize urban government. Over the years, they have generally restricted annexation powers, while tolerating unrestricted incorporation procedures. Moreover, the states have permitted all kinds of local governments to tax and to spend for public purposes, and counties, towns, municipalities, and townships to control zoning, land use, and building regulation, each within their own narrow boundaries. Nor have the states for the most part been quick to alleviate such urban problems within their reach as inner city and suburban fiscal disparities, the general weakness of county governments, and anarchic local land use practices.
- Although state aid to localities nearly tripled during the 1960s, the central cities still receive a disproportionately smaller share than suburban and rural areas.
- Too many states still have not involved themselves fiscally or administratively in urban development programs.
- The Federal government continues to be ambivalent about its role in urban areas. Many Federal programs, particularly general revenue sharing, perpetuate the urban jurisdictional *status quo* by making numerous local recipients eligible.
- The Federal government has tried to strengthen the multijurisdictional focus of its many grant programs by instituting procedures requiring review and comment by state and areawide officials on applications in about 200 of its more than 600 grant programs. Yet many Federal departments and agencies continue to ignore the economic, migrational, and locational implications of their opera-

tions within metropolitan areas. And several Federal programs have actually added to the proliferation of metropolitan organizations.

Problems of Urban Development and Land Use

Much urban development in the United States has been disorderly, destructive, and distasteful. Its deadliness has only come to widespread notice in the last 15 years. That development—urban sprawl, as it is usually called—is the product of an undeclared government policy of virtual *laissez faire* in land use.

Specifically, most governments, whatever the level, have been largely passive in the face of the migrational flow of people into urban areas and of the urban concentration of industrial development. They have been slow in forging urban growth policies. Local government activity has long been marked by economic competition and exclusionary zoning, plus building code anarchy and backwardness. State governments were long indifferent to urban financial and service needs, and rarely willing to challenge the local government *status quo*. The Federal role often has been contradictory; on the one hand, Congress has enacted a number of areawide planning requirements, strengthened representative regional bodies, and adopted a variety of programs to assist in the rehabilitation of central cities. On the other hand, the Federal-state highway program, the activities of the Federal Housing Administration and Veterans Administration, and the varying ways local and national decisions are made by the Defense Department and other Federal agencies more often than not have predetermined or affected urban development patterns without regard for regional planning objectives.

The result of all this has been to forge a white, middle- and high-income wall around the increasingly black and poor inner city, and to subject much of rural America to a continuing course of gradual erosion, until, as Secretary of Agriculture Earl Butz pointed out recently, the nation has come to need rural redevelopment quite as much as urban redevelopment.[5]

Problems of Special Function Government

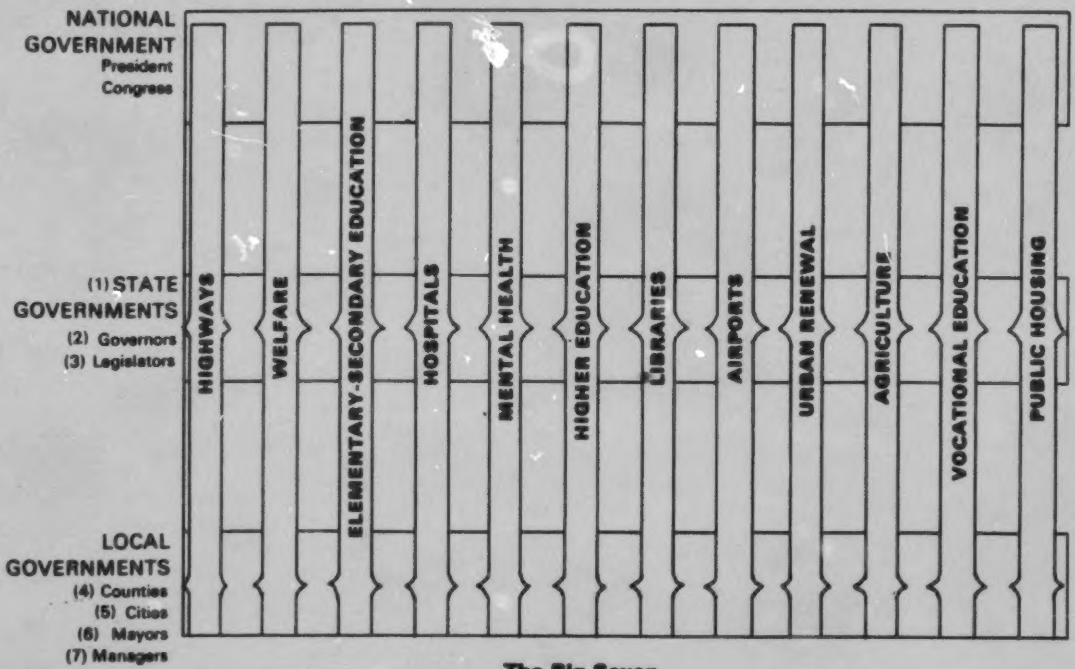
Finally, there has been an unplanned growth of special function government in the metropolitan areas of the United States in the wake of the many grant-in-aid programs enacted by the last several Congresses to assist hard-pressed state and local governments to meet their responsibilities in such costly fields as welfare and housing. This new pattern, as is clearly visible in Deil Wright's concept of "picket fence federalism" (see *Figure I*), is characterized by a chain of direct communication and consultation between Federal-state-local functional and professional personnel, bypassing in many instances the decision-making prerogatives of Federal executive officers, state governors and legislators, plus city fathers and elected county officials. Special function government reached its zenith in the mid and later 1960s, when categorical grant programs went way beyond the 400 mark. With each new category and subcategory, a new crop of specialists and subspecialists popped up at all levels of government to administer the wide variety of programs, and few, if any, counterbalancing efforts were made to strengthen the position of the President, the governors, the mayors, or the county executives. The functional specialists were at once aided and abetted by private interest groups—many of them well organized and politically influential—that benefit directly or indirectly from one or more of the narrowly focused individual aid programs.

The impact of this bypassing of general political and governmental leadership has not seemed so obvious at the Federal level because plans of the specialists still had to receive the approval of Cabinet officers and of the Office of Management and Budget before being transmitted to Congress. But in state and local governments, the story has been quite different—with generalists usually in a weaker formal position and elected officials being told that a grant would be available if matching funds could be raised and the already set package of regulations adopted at the state and local level. The lure of "50 percent" (or cheaper) dollars has often been impossible to resist. The political landscape has been dotted with governors, mayors, and city and county officials who were defeated at the polls by recommending what would have to be done to increase the resources of their governments to meet the rising expectations created, in part at least, by national debates and Federal action on the "urban crisis."

Part of the problem lies in the haphazard, accidental way functions have been assigned to, or acquired by, governments in the American federal system. Colonial government dealt with functions as needs arose, and between them and their local subdivisions a considerable portion of governmental functional responsibility was preempted by the time of the Constitutional Convention. Functional assignments have continued to evolve in an unplanned and uncoordinated way. The result two centuries later is an intergovernmental hodgepodge of functional responsibilities and activities that badly needs reordering.

Figure I

PICKET FENCE FEDERALISM: A SCHEMATIC REPRESENTATION


NATIONAL GOVERNMENT
President
Congress
(1) STATE GOVERNMENTS
(2) Governors
(3) Legislators
LOCAL GOVERNMENTS
(4) Counties
(5) Cities
(6) Mayors
(7) Managers
HIGHWAYS
WELFARE
ELEMENTARY-SECONDARY EDUCATION
HOSPITALS
MENTAL HEALTH
HIGHER EDUCATION
LIBRARIES
AIRPORTS
URBAN RENEWAL
AGRICULTURE
VOCATIONAL EDUCATION
PUBLIC HOUSING

The Big Seven

(1) Council of State Governments
(2) National Governors' Conference
(3) National Legislative Conference
(4) National Association of County Officials
(5) National League of Cities
(6) U.S. Conference of Mayors
(7) International City Management Association

SOURCE: Deil S. Wright, "Intergovernmental Relations: An Analytical Overview," *The Annals of the American Academy of Political and Social Science*, November 1974, p. 15.

HOW THE URBAN PROBLEM IS CHANGING

Put in the context of the federal system, then, the *basic continuing problems of urban America* can be identified as:

- increasing fiscal and political fragmentation resulting in an aggravating mismatch of needs and resources;
- increasingly doubtful viability of many local units of government;
- an imbalance among Federal, state, and local revenue sources;
- the presence of disorderly, uneconomic, and antisocial patterns of development and land use in the nation's urban areas;
- competition of functional special district government with the traditional general governmental and political processes in states and local communities;
- failure of most state governments to provide remedies within their own boundaries and of the Federal government to coordinate its areawide impact on metropolitan development; and
- citizen alienation and/or apathy in the face of ineffective or impossible governmental action and continuing racial dissension.

To these continuing problems, to which a satisfactory set of solutions has yet to be devised, must be added a number of *new problems brought on by recent developments in the nation.*

Of basic importance, as Wilfred Owen points out, is the fact that:

> Today's changing urban patterns reflect the shift from the factory city to the post-industrial society. With the production of goods already secondary to the provision of services, the new forces generating urban settlements are very different from what they used to be. Along the nation's controlled-access highways, a new kind of urbanism is developing—the new research organization, the modern factory, the regional school, the one-story rambler—often without reference to any visible community.
>
> Many of the benefits once derived from urban association no longer depend on proximity but rather on the use of the automobile, the telephone, and the airplane. For many people, the term "community" has come to mean less a place than a national or worldwide affinity of interests. As one observer put it, just when the policymakers and the press are discovering the city, "the age of the city" seems to be at an end.[6]

Continuing Importance of the "Real City" — Agenda for Regionalism

Not so, however, for the age of the metropolitan area. The 1970 Census showed even sharper increases in metropolitan area population pressures and thus in the problems those areas have to face.

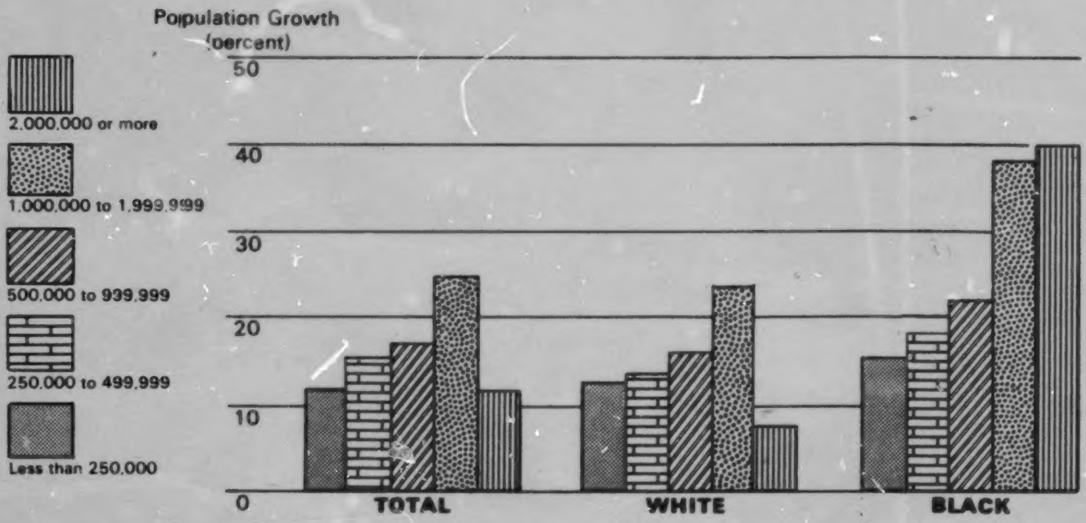
People. Census figures revealed that most of the U.S. population growth between 1960 and 1970 went to the nation's SMSAs—about 20-million additional inhabitants in metropolitan areas, less than 4-million in the rest of the country. In 1974, the Census Bureau reported that metropolitan areas contained over 152-million Americans, about 70 percent of the total population, while only 57-million lived outside them. There is evidence, however, that in the larger metropolitan areas, at least, the growth rate is tapering off. Between 1970 and 1974, the areas exceeding 2-million population began to experience net out-migration. The medium sized and smaller metropolitan areas continued to gain through net in-migration.

The rate of metropolitan area growth between 1960 and 1970 varied with the size of metropolitan areas, as *Figure II* makes clear, but since 1970, the growth rates for all areas have been essentially the same (between 4 and 5 percent) except for those areas of over 2-million. Most metropolitan areas in the Northeast show growth rates below those for the nation as a whole. The North Central rates match the national average, while those in the South and West are higher.

The 1970 Census showed also that within metropolitan areas it is the suburbs where the people, the power, and the problems are moving. Core cities continued to lose to their suburban areas in terms of both population and economic growth rates between 1960 and 1970, while smaller towns and cities outside SMSAs had slower growth rates and were frequently bypassed in economic development. Supplementary figures released late in 1974 show that more Americans

Figure II

POPULATION GROWTH BY SIZE OF STANDARD METROPOLITAN STATISTICAL AREAS IN 1970 AND BY RACE, 1960 TO 1970



SOURCE: *Report on National Growth and Development*, 1974, p. 14.

continued to move out of the nation's 15 largest cities than moved into them in the first three years of the 1970s. Of the biggest cities, only Houston showed population gains in both the central city and in the metropolitan area as a whole. Surprisingly, though, the non-metropolitan areas began to grow faster.

Jobs. The growth of jobs in the suburbs continues (see *Table I*). The prospects for the future suggest that the nation's largest cities will have to adjust to a future without growth, while their surrounding areas continue to swell in numbers and in economic superiority.

Race. The 1970 Census also demonstrated that the black migration to SMSAs continued. By 1970, the black proportion of SMSA population generally had climbed to 12 percent, and of central cities within metropolitan areas it had climbed to 20.6 percent. Between 1960 and 1970, the black population in metropolitan areas increased by 4-million, 3.2-million of the increase taking place in the central cities and only 800,000 in suburban areas (see *Table II*).

Meanwhile, the white flight to the suburbs went on. Between 1970 and 1974, the white population in the central cities declined further, by more than 4-million, and while about 100,000 blacks moved into the suburbs, nearly 3-million whites did so. These trends were interpreted further by the National League of Cities as follows:

> Considered another way, in 1973, 75 percent of the blacks of the country lived in metropolitan areas, compared with 67 percent of the whites. This represents a decrease of 1 percent for whites and an increase of 2 percent for blacks from 1970 and continues the long-term trend, though at a slowed rate. In central cities, the difference is much more striking. Sixty percent of the nation's black population is located in central cities, up from 58 percent in 1970 and 52 percent in 1960. For whites, the percentage was 25 percent in 1973, down from 28 percent in

1970 and 31 percent in 1960.[7] (See *Table III.*)

Thus, the conclusion of the National Advisory Commission on Civil Disorders, that the nation is moving toward two societies, one black, one white, seems to be reconfirmed.

Age. The division of people by ages, with the older ones clustered in cities and younger ones in the suburbs, is also demonstrated by the 1970 Census. In that year, 11 percent of the central city population was 65 years of age or older, while only 8 percent of the suburban population was thus classifiable as elderly. This means, for a while at least, that more schools and more recreational facilities will be needed in the suburbs, while more amenities for the elderly will be needed in the central cities—both needs placing additional strains on scarce resources. But between 1960 and 1970, while the total population increased 13.5 percent, the group under five decreased 15.5 percent. This decline in school age population will lead to an eventual slackening of demand for facilities for the young and an even greater demand for amenities for the old, in both central city and suburb.

Service Disparities. Within the central cities of SMSAs, public service problems continued to mount at a rate far faster than in most of their suburbs. Central cities were shown to have higher crime rates, more obsolescent housing, larger dependent populations, and more fully entrenched bureaucracies. In expenditure terms, this meant that in 1970, *non-educational* outlays for central cities generally accounted for 70 percent of their budgets, as opposed to less than 50 percent for their suburbs. And taxes as a percentage of personal income had moved up to over 6 percent in the central cities, as opposed to 4.5 percent in the suburbs.

At the same time, America's rural population (outside of urban areas of at least 2,500 people) fell to 26 percent of the total population in 1970, down from 30 percent in 1960, and the number of farmers dropped to 10.3-million from 15-million ten years earlier. The Department of Agriculture estimated in 1974 that there were 2,819,000 farms in the nation, the lowest in government records which go back to 1910. The Census figures for 1970 revealed a rural America far behind metropolitan America not only in population growth but also in the adequacy of educational and health facilities, housing units, and income levels.

From 1970 to 1973, however, non-metropolitan areas average a 2.5 percent annual increase in job growth compared to 1.2 percent in metropolitan areas, and population growth moved accordingly. Figures for the period April 1970, to July 1973, show a total population growth of 4.2 percent in non-metropolitan areas compared to 2.9 percent in metropolitan areas. This type of growth pattern is unprecedented in American history.

Governmental Fragmentation. Recent census figures also reveal *mounting dispersion of power and responsibility in most metropolitan areas.* The 1972 Census of Governments shows that the fragmentation of governmental power and responsibility in metropolitan areas has increased significantly since the last Census in 1967. As *Table IV* shows, the total number of local governments in metropolitan areas rose by 1,482 units in those five years despite a lessening in the number of school

Table I

HOW JOBS HAVE SHIFTED TO THE SUBURBS

(In the 15 Largest Metropolitan Areas)

Year	Reported Metropolitan Area Workers	Those Who Work in the City	Those Who Work in the Suburbs	Those Who Live and Work in the Suburbs Numbers	Percent	City's Share of Metropolitan Area Jobs
	(figures in 1,000's workers)					
1960	19,132	12,060	7,072	6,227	67.8%	63.0%
1970	21,382	11,224	10,158	8,699	72.3	52.4

SOURCE: *The New York Times*, October 15, 1972, p. 58.

Table II

POPULATION BY RESIDENCE AND RACE, 1950 to 1970*

Residence and Race	Population				Percent Change		Average Annual Change	
	1950	1960	1970		1950-1960	1960-1970	1950-1960	1960-1970
			Total	Percent				
Total	151,326	179,323	203,212	100.0%	18.5%	13.3%	1.7%	1.3%
Standard Metropolitan Statistical Areas[1]	94,579	119,595	139,419	68.6	26.4	16.6	2.3	1.5
Central Cities	53,696	59,947	63,797	31.4	11.6	6.4	1.1	0.6
Outside Central Cities	40,883	59,648	75,622	37.2	45.9	26.8	3.8	2.4
Non-Metropolitan Areas	56,747	59,728	63,793	31.4	5.3	6.8	0.5	0.7
White	135,150	158,832	177,749	100.0	17.5	11.9	1.6	1.1
Standard Metropolitan Statistical Areas[1]	85,099	105,829	120,579	67.8	23.6	13.9	2.1	1.4
Central Cities	46,791	49,415	49,430	27.8	5.7	(Z)	0.6	-0.1
Outside Central Cities	38,308	56,414	71,148	40.0	45.5	26.1	3.8	2.5
Non-Metropolitan Areas	50,051	53,003	57,170	32.2	7.2	7.9	0.7	0.6
Black	14,972	18,872	22,580	100.0	25.5	19.7	2.3	1.9
Standard Metropolitan Statistical Areas[1]	8,850	12,741	16,771	74.3	43.6	31.6	3.7	2.8
Central Cities	6,608	9,874	13,140	58.2	50.6	33.1	4.1	2.8
Outside Central Cities[1]	2,242	2,861	3,630	16.1	23.1	26.6	2.1	2.8
Non-Metropolitan Areas	6,122	6,131	5,810	25.7	-0.6	-5.2	-0.1	-0.5

*In thousands, except percent. (Z) = less than 0.5.

[1] Covers 243 Standard Metropolitan Statistical Areas as defined in 1970.

SOURCE: U.S. Bureau of the Census, *U.S. Census of Population: 1960 and 1970*, Vol. 1, as presented in National League of Cities, *State of the Cities* (Washington, D.C.: National League of Cities, 1974), p. 12.

Table III

POPULATION DISTRIBUTION AND CHANGE, INSIDE AND OUTSIDE METROPOLITAN AREAS, 1960, 1970, AND 1973

(Percent Distribution)

	Black			White		
Area	**1960**	**1970**	**1973**[a]	**1960**	**1970**	**1973**[a]
United States, Total	100	100	100	100	100	100
Metropolitan Areas	68	74	76	67	68	67
Inside Central Cities	52	58	60	31	28	26
Outside Central Cities	15	16	16	36	40	41
Non-Metropolitan Areas	32	26	27	33	32	33

[a] Five quarter average centered on April 1973. Quarterly estimates for the months of October 1972, and January, April, July, and October 1973 were used. These figures do not include annexations of cities since 1970.

SOURCE: Derived from U.S. Department of Commerce, Social and Economic Statistics Administration, Bureau of the Census; as cited in *The Social and Economic Status of the Black Population in the United States, 1973,* Current Population Reports, Special Studies, Series F-23, No. 48, as presented in National League of Cities, *State of the Cities* (Washington, D.C.: National League of Cities, 1974), p. 28.

districts. Special districts are by far the most numerous units of local government in virtually every metropolitan area across the country.

In addition, due to Federal-state efforts in law enforcement, health, community development, economic development, transportation, poverty, and air and water pollution programs, a wide variety of disparate substate and regional units have been added to the jurisdictional complex in metropolitan areas. And while there were 114 single county metropolitan areas in 1972 (out of 444 counties in the 264 SMSAs, at that time), the county has yet to become the vehicle for areawide government in most such SMSAs. This situation persists despite real progress in county modernization; almost half of the counties in single county SMSAs now have council-manager or council-elected executive forms of government, and almost 40 percent have at least some urban service capabilities.

The Economy

The current economy does not offer great hope for solving these "real city" problems with massive infusions of dollars. It goes without saying that inflation, the tighter economic situation generally, plus worldwide

Table IV

NUMBER OF LOCAL GOVERNMENTS IN METROPOLITAN AREAS, 1957-1972

	1972	**1967**	**1962**	**1957**
SMSAs	264	227	212	174
Counties	444	404	310	266
Municipalities	5467	4977	4142	3422
Townships	3462	3255	2575	2317
School Districts	4758	5018	6004	6473
Other Special Districts	8054	7049	5411	3180
Total	22185	20703	18442	15658

SOURCE: U.S. Bureau of the Census, *Census of Government: 1972,* Vol. 1, *Government Organization* (Washington, D.C.: U.S. Government Printing Office, 1973).

energy and food shortages, all place new constraints upon government revenue sources at all levels, and narrow the base of discretionary funds considerably. The surpluses which many state and local units of government had built up in their general funds only a few years ago have vanished as it has become apparent that it will be more and more up to those very governments to shoulder the burden of domestic outlays in the future. In particular, these developments have upset most urban budgets and created in some cases acute financial situations. As one California city manager put it, "Cities across the nation are being squeezed between the pincers of rising costs and declining revenues in the trend of a[n] inflation-recession situation . . . . As the main providers of domestic public services, cities will decline as the demands increase."[8] A delegation of mayors told President Ford, January 30, 1975, that their cities were "caught in an economy rise . . . forcing many if not most of them to reduce services, lay off workers and raise taxes."[9] Various urban counties are caught in a similar rise.

Intergovernmental Aid

The purchasing power of Federal and state aid to urban governments is in question, and likely will remain so until the overall economic situation has been improved. As long as a constrained aid situation exists, it will be increasingly difficult to deal with service weaknesses in metropolitan areas, and to relieve poverty, racial inequality and discrimination, unemployment, and the already existing deficiencies in mass transit facilities, housing, and other urban services. And the increasing unionization of municipal employees and teachers presents still another new set of fiscal demands on many local governments and school districts.

Declining Faith in Government Problem Solving

These new conditions come at a time of changing attitudes of the American people. When ACIR published *Urban America and the Federal System* in 1969, upheaval and riots had been commonplace in many of the nation's cities. It even appeared to some that revolution was not far off. In the ensuing years, the cities have cooled off; the unhappy position of many blacks and others within the urban poor has been recognized, and attempts have been made to alleviate it. As a result, most of the urban dissidents of the late 1960s have decided to abandon confrontation and to work within the system to consolidate the changes they desire. Government's reaction, however, was almost universally one of developing new programs and granting vast quantities of additional financial aid, in the expectation that problems would be solved thereby and conditions righted.

Unfortunately, those expectations have not been satisfied in practice. The nation was not long in coming to recognize the limitations of such governmental action in achieving social reform and overcoming disparities, on the one hand, and in solving all the problems of the American nation on the other. By the early 1970s, as David Broder put it, "negative attitudes toward the exercise of power [had come to] dominate American thinking."[10] In particular, the omnipotence of the national government was brought into question, as the failure of such programs as the war against poverty, model cities, and urban renewal to accomplish the regeneration of the inner city became evident.[11] An ACIR poll in 1974 confirmed the growing unpopularity of the Federal government and a corresponding increase in relative popularity for state and local government. To some extent, the necessity of providing stronger partners at the state and local levels of government, and in the private sector, came also to be better understood, but the new anti-establishment ethic is evident there as well. Even so, a comprehensive survey of the opinions of the public and of government leadership sponsored by the Senate Subcommittee on Intergovernmental Relations in 1973 found that the American people retain their faith in the Federal system of government. They still view shared responsibility as the proper approach in attacking a wide range of social concerns.

The American disillusionment with political leadership, and its apathetic and suspicious attitude toward government in general, in the mid-1970s results as well of course from the Watergate revelations and attendant demonstrations of corruption and lack of feeling in government, and from government's seeming inability to resolve basic economic and diplomatic issues.

What all this may reflect is that basic changes are taking place in the value system of the American people. Whereas the American value system historically has been based on the work ethic and political participation as the key to overall national advancement, there began to develop in the late 1960s a counter-culture which put emphasis on the quality of life and on the inner-self as the proper first concerns of man, thereby demoting governmental approaches to civic betterment in the scale of human values. What Roland Galatt noted about contemporary Britain, some believe, is true here as well.

"At every level of society, people in Britain work to live; they no longer live to work. Young men and women appear to be without strong ambition . . .[they may be] in the vanguard of a more leisurely post-industrial world."[12]

In any case, the mid-1970s find the United States in a more difficult overall posture than before. That posture has especially meaningful lessons for governmental programs and particularly for intergovernmental relations.

CHANGES IN THE PERCEPTION OF URBAN PROBLEM SOLVING

Obviously, all the foregoing constitute an urban crisis of substantial magnitude. But the question is whether this crisis can attract enough attention to support remedial action. The environment, energy, corruption in government, the world malaise generally, all have come along in rapid succession to distract the American people from the broader totality of "the urban problem." At the very least, solutions to urban problems now face a less sympathetic public and must compete more directly with a broad range of other pressing problems on the national and international scene.

Some scholars, like Edward Banfield, argue that the problems of the city have been misunderstood and exaggerated all along, and that governmental efforts have not—and probably cannot—address the basic problems of American urban centers being populated largely by the poor. Banfield concludes that the immediate prospects for constructive urban change in America are dim indeed.[13] Some even go beyond Banfield, to declare "that social legislation is merely a sham, aimed at camouflaging, not solving, problems; or that all major political intervention in social problems is a mistake, bound to fail, and better left to local government, private charity, or the free market."[14]

Others, contributing to the burgeoning literature critical of the inefficacy of attempts to solve urban problems, point to the presence of large bureaucratic systems in government generally, and in urban areas in particular, as the major continuing barrier to social change.[15] In the face of these barriers, they see the remedies applied so far as merely cosmetic and unavailing. Disillusionment with the new tools of scientific management as applied to urban problems has been voiced,[16] and evidence has been put forth by Robert Goodman[17] to suggest that the solution of many urban problems cannot be achieved without radical change in the larger economic and political system of the United States within which these problems develop.

David Morgan surveyed these analyses and concluded:

> . . . if cities . . . be conceptualized as systems of a very complex nature, then, of course, we must continually keep in mind that things are connected in ways that are not always apparent, and changes may often produce unexpected consequences. . . . In addition, no reform efforts will long prevail that are not in harmony with fundamental American values. And since poverty and race are inextricably linked to the fate of our cities, what we know about this society's views on these two matters cannot make one optimistic. . . . Only incremental change is . . . likely. But, when all is said and done, incrementalism may be better than nothing.[18]

The thrust of these arguments is vigorously opposed by numerous participants in the governmental process at all levels who continue to confront urban crisis situations daily, and who must respond to political pressure for alleviating them. These officials document the needs from personal experience, and call for redoubled efforts to reach governmental solutions to the problems of the nation's cities.[19] James L. Sundquist of the Brookings Institution articulated this more optimistic viewpoint in a 1972 conference on the subject of centrally planned change:

> . . . planners seem to be demoralized and need to get together and shore one another up.
>
> I'm reminded that back in 1933 the government engaged in a massive intervention in the economy designed to end unemployment—or at least drastically reduce it—and end the depression. We had a pump-priming program and other forms of intervention beginning in 1933 that extended for a half-dozen years. Along about 1939 things were not really any better and the conservatives hopped on the interventionists and said this proves that government planning, government intervention, doesn't work. But then, in 1940, we started to rearm, and in 1941 we really had pump-priming on a massive scale, and we did end unemployment. We brought it down to practically zero. Government intervention in the economy turned out to be a huge success.

> What that seemed to prove was not that governmental intervention was wrong, that government planning was bad, but that it hadn't been done on a massive enough scale. Now we're in the same position, it seems to me, on social planning. We had a kind of 1933-type crescendo in the 1964 to 1965 period. We launched the war on poverty and started out on an urban program and went forth with Model Cities and the whole battery of 400 other categorical programs. Five years later people are saying: it didn't work, planning is a failure, government intervention is a failure. I wonder if it isn't the same kind of situation where the answer is that we didn't have intervention on a massive enough scale. For the intellectuals to get together and say planning has been discredited by the experiences under the war on poverty and the Great Society is probably a great mistake.
>
> We don't really know whether these programs work or not. From the evaluations I've seen, some did and some didn't.[20]

Aside from these arguments, however, the fact is that the decade of the 1960s was one in which the nation awoke to the "crisis of the cities"—with riots, cities burning, special national commissions studying the situation, and a spate of new urban programs being enacted—which the following years have constituted a period more characterized by President Nixon's announcement that the urban crisis is over. Even the most recent crisis—the near bankruptcy of New York City—has highlighted the need to rethink public service commitments, bringing them back in line with what can be afforded. The rhetoric of urban crisis has given way in many instances to a more measured exploration of the possibilities for improvements in urban America.

NEW DIRECTIONS IN FEDERALISM

Possibly these changing attitudes were reflected in the elections of 1968 and 1972. Under its "New Federalism" concept, the Nixon administration sought to redefine the national government's role in problem solving by returning some power to state and local governments and to the people themselves. The executive branch and the Congress of the United States began to utilize broad block grants more frequently, in addition to the narrower categorical ones, and to continue encouraging new levels of regional and neighborhood decision making. The adult categories of the welfare program have become almost exclusively the responsibility of the Federal government, permitting larger portions of state and local budgets to be used for other purposes. The Federal government has also instituted some new procedures which begin to bring state and local officials into the planning stages of governmental programs earlier and require coordination where none had been required before.

In other actions which have direct impact on the fiscal plight of the cities, state and local governments have been revising their tax systems substantially over the past decade and a half. These revisions have focused on diversification and strengthening of state and local revenue systems, and included actions to mitigate the regressive impact of the property tax on the poor and elderly. Much greater use is being made, at both these levels, of income and sales taxes. Also, under court pressure, the problem of inequalities in the financing of local schools have begun to be attacked. Both the national and state governments have become conscious of the need to find ways to adapt to growth pressures, to regulate the use of land and environmental resources (especially in urban areas), and to provide improved state and metropolitan governmental structures.

From these trends, new intergovernmental arrangements have begun to develop in the United States.

- Evidences of the national government's drive to redress the balance of the federal system include (a) the several devices used formally to involve state and local officials in Federal program planning, (b) the passage of the *Intergovernmental Cooperation Act of 1968* and the *Intergovernmental Personnel Act of 1970*, (c) the inclusion of areawide planning requirements in much recent Federal aid legislation, and (d) the implementation of concerted decentralization policy at the Federal level which is shifting functional responsibility toward Federal regional councils as well as toward state and local governments.

- At the state level, there has been substantial new interest and action in urban affairs partly brought about by states having been made key decision points in the allocation of Federal assistance (through plan development, project reviews, or other actions consistent with the legal prerogatives of state executive officers).

- The local level has become increasingly involved in serving the needs of their constituents as a result of changing political attitudes and citizens' perceptions of the role of local government. Much of this new involvement has occurred in social service programs having substantial state and Federal financial assistance and performance standards—like those in connection with welfare programs, employment and training, housing, and economic opportunities.

- The number of home rule counties with municipal-type powers and programs continues to grow steadily, encouraged by their eligibility for such Federal aids as general revenue sharing, community development block grants, and manpower funds.

- There has also been a considerable movement to establish regional councils of governments as multijurisdictional planning and coordinating agencies for local government.

A document prepared by the National League of Cities, considering these developments, concludes that there is now a "much greater sensitivity to interdependence in the intergovernmental system on the part of the institutions which make up its components" and that the "cumulative effects of the[se] changes . . . have resulted in the evolution of a new intergovernmental system." Already the new system "has a distinctive structure, a set of internal dynamics, and a number of tools for internal coordination. Although the direction of developments in the system is apparent, it is . . .in its formative stages . . . ."[21]

Thus, the climate for the solution of urban problems in the future—as of any other set of problems—is substantially different as this report is written than it was only a few years ago. The atmosphere of crisis politics—reflecting the explosive situation in the nation's cities just a few years ago—is giving way to a more measured one of paying heed to the nation's precise urban needs by making and filling specific commitments that can be directly acted upon and funded within currently available budget ceilings to help meet these needs, thereby making life in urban America increasingly (though perhaps modestly)more attractive and productive than it has been. On one hand, the need is to alleviate as many as possible of the urban problems which have been identified, while on the other hand, the need is to strengthen the processes of governance at all levels of government so that the American system can live up to its full potential for all its people. ACIR believes that effective progress toward these dual goals can and should be made.

AN ACIR PROGRAM FOR MEETING URBAN NEEDS

Many of the urban problems identified thus far clearly lie in the workings of the federal system. They are problems in the governmental system of federalism through which the American people must work to attain common objectives. Thus, improving the quality of life for urban America, as for all America, depends heavily on improving the federal system for the benefit of all Americans. That was the reason for the establishment of the Advisory Commission on Intergovernmental Relations, and the purpose of this report is to bring together what the Commission has recommended to that end.

ACIR's mandate is far broader than urban problems. Thus, it has not attempted to deal with those problems on a comprehensive basis; it focuses instead on those urban problems which have seemed to have greatest urgency. Additional studies of urban problems—or aspects thereof—will continue to be made and reported on.

In broad outline, the major thrusts of ACIR proposals for improving urban America as of 1975 are the following:

- restoring fiscal balance in the American federal system,
- developing effective national and state urban development and housing policies,
- restructuring the maze of local governments,
- bringing order to multistate and substate regional development,
- coordinating special function government,
- improving the delivery of urban services,
- strengthening general purpose management in urban America,
- improving urban financial management,
- improving urban personnel management,
- reducing urban crime,
- securing greater state commitment to solving urban problems, and

- achieving greater consistency among Federal roles in urban problem solving.

Restoring Fiscal Balance in the American Federal System

The strong Federal-state-local partnership needed to solve national urban problems depends on the individual fiscal strength of each partner in the federal system. This requirement cannot be met if one partner has the bulk of the resources and the other two have the bulk of expenditures to meet. Over the years, ACIR has evolved a multifaceted program to redistribute financial resources and responsibilities among the levels of government.

Reassigning Financial Responsibilities

Federal

- The Federal government should share a percentage of its revenues with states and localities on a "no-strings" basis, permitting greater state-local discretion in their use. This principle has been incorporated in the *State and Local Fiscal Assistance Act of 1972* (general revenue sharing), and ACIR has urged that the original five-year program (which it supported) be made permanent.

- The Federal government should continue to use categorical grants to state and local governments where very specific national objectives are to be pursued, but greater use should be made of broad block grants in the many cases where state and local discretion in the use of funds will be more productive and relevant.

- The Federal government should assume full *financial* responsibility for *all* public welfare programs, including general assistance and medicaid, because these programs are so interstate in nature and already so largely dominated by Federal policy that only complete Federal financing makes sense. ACIR recommends that the states and localities retain *administrative* responsibility for those programs. Congress took the first step by nationalizing cash aid to the aged, blind, and disabled as of January 1, 1974. The measure sets up a national minimum payment which the states may supplement.

State

- The states should assume an increasing share of the costs of elementary and secondary education, thus fostering equality of educational opportunity among school districts and releasing more of the local property tax for use in meeting growing non-educational costs in urban areas; this might remove some of the existing interlocal competition for industrial location, and could help to mitigate exclusionary zoning practices directed against large, low-income families. Several states have begun the movement in this direction, some of them under the prodding of state judicial decisions.

- States should authorize areawide taxes for the support of education within metropolitan areas.

- States should "buy-in" to Federal-local grant programs by putting up a substantial portion of the matching money. This would help to ease that part of the financial burden on localities imposed by the availability of Federal matching funds.

- State revenue sharing with localities is also important.

Strengthening State and Local Revenue Systems

Federal

- The Federal government should encourage a high-quality, high-yield state tax system through Federal income tax credits for state income taxes paid, thus bringing about fuller use of state income taxes and their integration into a state-local tax system which includes a strong sales tax and more equitable, diversified, and productive local revenue systems. Also, states should be able to enter into agreements for Federal collection of state income taxes, as authorized by a provision of the *State and Local Fiscal Assistance Act of 1972* which has not yet been implemented.

- Business type activities on Federal properties should be subjected to state and local sales and excise taxes, and military pay should be made subject to state and local income taxes and withholding at the place where earned.

State

- The states, through legislation, should overhaul the local property tax to make it better suited as part of an improved state-local tax system, and at the same time to secure relief for the poor and elderly who suffer from the regressive nature of the property tax. Within the context of the balanced system of fiscal federalism envisaged by ACIR, all welfare and most school costs would be lifted from the present property tax base, so that returns from the property tax could go primarily to support regular urban services and meet the local share of Federal and/or state grants for urban development. Involved in property tax overhaul are a stronger state supervisory role; expanded use of the ACIR recommended "circuit breaker," which 24 states and the District of Columbia had enacted in some form by 1975 to bring relief to at least some low-income families from property tax overload and to minimize the drawdown on scarce local tax resources; appointed rather than elected assessors; continuing assessment ratio studies to assure an accurate relation to current market prices; adoption of countywide if not statewide assessing areas; and establishment of equitable and expeditious appeals procedures.

- The states should authorize broad based local income and sales taxes, in addition to property taxes and user charges.

Developing Effective National and State Housing and Urban Development Policies

Increasingly apparent in American urban areas is the necessity of formulating conscious public policies to accommodate the dynamic urbanization and urban development projected for the United States in coming decades. To continue to leave urban growth patterns to chance (and to the competing and contradictory policies of many thousands of local governments, plus numerous and diverse regional, state, and Federal units) is to encourage the drift of urban areas further into economic and social difficulties. ACIR has called for the development of comprehensive, coordinated, national and state growth policies and complementary housing, relocation, and local land use measures.

Federal

- The President should more fully exercise the responsibility vested in him by Title VII of the *1970 Housing and Urban Development Act* to submit biennial reports assessing Federal and state actions on urban growth, projecting future needs, and recommending needed Congressional and administrative actions. At a minimum, a national urbanization policy should be developed to assure that Federal programs do not operate contrary to national goals. ACIR recommends that such a policy include financial incentives for business and industrial location in inner city poverty areas and in rural growth centers; migration allowances to facilitate population movement from labor surplus to labor shortage areas and Federal aid for on-the-job training allowances for employees in labor surplus areas; preference in awarding Federal contracts and locating Federal facilities in areas whose population needs expansion; elimination or reduction of interstate variations in public assistance standards and benefits; expansion of governmental assistance for family planning information to low-income families; initiation of Federal support for large-scale urban development; and reconsideration of Federal aid for new communities.

State

- State urbanization policies should be adopted with components comparable to those suggested for the national policy. Such policies also should provide for the establishment of a state land development agency (1) to acquire, hold, develop, and sell land for use in accordance with the state urbanization policy and with state, regional, and local land use plans, (2) to preserve open areas, and (3) to foster new community development. In addition, the states need to clarify the local role with regard to growth policy and land use regulation.

- A range of housing quality and price should be assured, especially at low- and moderate-income levels. For many years housing was a subject of neglect by state government. ACIR has called on the states for several major actions in this field: reduction of discrimination in housing; stimulation of low- and moderate-income housing; the exercise of greater control over building codes and building technology, at least by making state model building codes available for local adoption without deviation; the licensing and training of inspectors and taking over those functions where qualified local personnel are not available; and close coordination among city and county housing agencies.

Federal-State

- A combined Federal-state program to relocate equitably the people and businesses displaced by governmental activities is needed. The *Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970* went far toward achieving this end insofar as Federal aid programs are concerned. But full Federal funding under that law was allowed to expire, and, since then, Federal aid for relocation has been determined on a partial basis. Full funding needs to be restored and made permanent. State legislation enacting uniform relocation policies is still needed in many states to protect people and businesses displaced by state and local public works projects not involving Federal aid.

Local

- ACIR has recommended the assignment of planning, zoning, and land subdivision authority to counties. Vesting such authority in small local units is often a major reason for the balkanization of metropolitan areas. Misuse of this state police power by local units has often resulted in widening the fiscal and social disparities between central cities and their suburbs. The states should alleviate this problem. If counties and municipalities do not exercise their land development controls cooperatively and adequately under state law, then the state should assume the responsibility.

Restructuring the Maze of Local Government

The task of restructuring local government falls primarily to the state governments. Only they have the power to rationalize and render less harmful to urban problem solving (and to orderly urban development generally) the complex array of overlapping local units of government that characterizes most of the country's major urban areas. The Census of Governments in 1972 showed a total of 22,185 local governments inside the nation's SMSAs, the greatest number of them (8,054) special districts of one sort or another, most of whose boundaries overlap those of general purpose local governments. The states have hardly begun the Herculean task of making the needed constitutional and statutory changes to bring this development under control.

ACIR has recommended remedial action along the following lines.

State

- States should clarify and strengthen the legal powers of general purpose local governments, authorizing them to determine their own internal structures, liberalizing home rule provisions, modernizing outdated state controls on local government tax and debt levels, and liberalizing municipal annexation and local government consolidation procedures.

- States should arm local governments with the tools to deal adequately with urban growth by facilitating county consolidation; authorizing counties to perform urban functions and to establish subordinate service and taxing areas; empowering major cities and urban counties to create neighborhood subunits of government so as to bring disaffected citizens closer to and involve them in the process of local government; permitting voluntary transfer of functions between cities and counties; granting authority for intergovernmental contracts and joint service arrangements; encouraging the establishment of metropolitan study commissions; providing for metropolitan multifunctional authorities to provide those services which require areawide handling; and establishing stronger regional councils of local elected officials for planning and coordinating purposes.

- States should halt the further proliferation of special districts and other small, non-viable, units of local government in metropolitan areas by establishing rigorous standards for the creation of such units, by revising existing municipal incorporation procedures, by empowering state or regional boundary commissions to consolidate or dissolve local units which do not meet statutory standards of economic, geographic, and political viability, and by revising state aid formulas to eliminate or reduce aid allotments to local governments not meeting such standards. With regard to existing special districts, ways must be devised to increase their "visibility" and accountability to the people, and to require their operations to be coordinated with those of general purpose governments in the same geographic areas.

Federal

- The Federal government, for its part, should modify the many Federal categorical aid programs which still encourage the existence and spread of special districts so that such programs provide greater incentives for local government coordination, including: (1) expanded use of procedural requirements for regional or metropolitanwide review of Federal grant applications from individual local governments in the same geographical area, (2) bonuses in Federal matching funds for projects tailored to regional rather than strictly local needs, and (3) moves to alter Federal aid programs which now encourage special districts. This overall objective has been established broadly by enactment of the *Intergovernmental Cooperation Act of 1968*, but its actual achievement is still far from being realized.

Bringing Order to Multistate and Substate Regional Development

The growth of urban areas has been accompanied by the rapid growth of problems which largely ignore the existing pattern of urban jurisdictions. Yet, policies and programs to meet those needs are still attempted individually by the many fragmented governmental units of the modern urban complex. Governmental services and programs generally are still mandated to or devolved upon individual levels, units, and agencies of government for analysis and program development. Some progress has been made through intergovernmental "diplomacy" in linking together governmental units in the same geographic areas as they work on program development. And in the areas of some Federal categorical grants-in-aid, as noted already, certain helpful review and coordination procedures have been incorporated. But the lack of an overall approach and a broad conceptualization of problems is still evident. Only when structural and fiscal alterations in the units of the federal system are combined with improved program interrelationships between them will the maximum capability of the federal system for solving urban problems be achieved. An intergovernmental system through which a number of units of government facing the same problem can share jointly in the development of program responsibilities still has to be fully developed.

In the many metropolitan areas which spread across two or more counties, a more comprehensive approach is required.

State

- ACIR recommends widespread adoption by the states of a coordinated regional strategy at the substate level. The plan it endorses, parts of which have been proposed or supported by the major national organizations of state and local governments,[22] calls for creation of strengthened regional councils (UMJOs, for umbrella multijurisdictional organizations), composed primarily of elected officials of all local governments in each metropolitan area (as well as in the non-metropolitan regions) which would have: (a) authority to plan and to resolve local governmental conflicts that have a regional impact, (b) conditional authority to conduct regional operating programs, and (c) policy and budget control over those special districts in the region serving an area broader than a single unit. These UMJOs would reach decisions either by a majority vote of the governing board or by a vote weighted according to population. There is already a base in existing regional councils of governments in most metropolitan areas which can serve as the foundation for the kind of organization proposed.

State-Federal

- Both state and Federal governments should continue the drive to achieve uniformity between state-established districts and Federally sponsored multijurisdictional planning and policy development organizations (as of 1973, there were 29 Federal-multistate commissions for economic development or river basin planning, and 488 substate district organizations for coordinating Federal grants on an areawide basis) and to define a state role in the district designation process. For its part, the Federal government should work toward the evolution for more uniform requirements for its programs affecting the substate level.

Coordinating Special Function Government

A common theme associated with many of the Commission's proposals is a move away from functional and special purpose government institutions toward strong general purpose governments, and so toward greater reliance upon politically responsible executives and legislators at the Federal, state, and local levels.

Federal

- This theme has already been embodied in general revenue sharing, grant consolidation proposals, and block grant programs of the Federal government in recent years, and in the local general unit preference provisions of the *Intergovernmental Cooperation Act of 1968*. Nevertheless, numerous exceptions still exist in categorical grants.

State

- The same theme also is embodied in the recommendations for curbing and consolidating special purpose districts and authorities at the local level, and for channeling state aid funds in such a way as not to prop up or perpetuate special purpose units of government.

- But there is still considerable need to continue shortening the ballot and strengthening the planning and budgeting processes at the state level. Also still to be accomplished in many states is the granting of departmental reorganization authority to the governors.

- Equally important is the development of stronger legislative bodies generally. The call for periodic Congressional review of grants-in-aid and increased capability of state legislatures in the fields of legislative oversight and state planning, while directed primarily to other objectives, should have the effect of helping to ensure that the role of functional specialists is discharged within a governmentwide and agencywide context. Moreover, in order for states to develop a consistent course of action on urban problems, much highly important, complex, and controversial legislation must be enacted and continually amended in the years just ahead. Yet, many legislatures are not equipped constitutionally or administratively to do this, despite considerable progress in the past few years. The Commission's proposals concerning the strengthening of state legislatures parallel those of a number of other organizations; they call for annual sessions, year-round professional staffing, and adequate compensation. Strong legislatures are prerequisite for strong state government capable of effectively curbing the power of program specialists in the federal system.

Local

- Needed at the local level, by counties and general purpose regional bodies as well as municipalities, is creation of capable planning staffs responsible directly to political governing bodies or elected chief executives instead of to a variety of independent commissions.

- Local governments and general purpose regional bodies also need the power to supervise the activities of special districts within their jurisdictions if their responsibilities of political leadership and public administration are to be fully exercised. Otherwise, each functional agency with its full complement of professionals reaching into all levels of government becomes, in effect, a government unto itself—a vertical functional autocracy.

Improving the Delivery of Urban Services

Every level of government in the American federal system has some exclusive or shared responsibility for providing a wide variety of public services. However, the actual sorting out of functional tasks among different levels and types of government is a perennial source of tension and uncertainty in American federalism. The question continually arises, who should do what?

ACIR has studied the problem of urban functions on several occasions, beginning with its 1963 report entitled *Performance of Urban Functions: Local and Areawide* and concluding with its 1974 report entitled *Governmental Functions and Processes: Local and Areawide.* As a result, the Commission has recommended that when a metropolitan area is contained in a single county, coordination of services be accomplished by city-county consolidation, or, more simply, by county assumption of those functions needing handling on a broader than municipal basis. Where counties are authorized to perform urban functions, ACIR has recommended that if a particular service is needed in only one section of a county, the state should permit the county to provide the service and tax only that section to pay for it. Also, the Commission encourages interlocal contracting among cities and/or counties for the provision of specified services.

State legislatures have been slow, however, to decide which type of local government should provide which level of service. Instead they provide for a great many variations, both in the general allocation of service responsibilities and within single service allocations. The states have been hesitant to authorize county performance of urban functions or the exercise of municipal power on an extraterritorial basis. They have been even less willing to choose between cities and counties as to which is best able to perform particular functions or to designate specific services as "city dominant" (fire protection) or "county dominant" (solid waste disposal and sewage treatment). Of course, such a designation is legally and fiscally difficult because of the many differences in population and capacity among classes of cities and counties within a single state. Also, it is much easier politically to grant functional powers to cities, counties, and towns alike, with the admonition that they work out details on an area basis, either by special legislation or by contractual or other voluntary agreements among the jurisdictions concerned.

In its 1974 report entitled *Governmental Functions and Processes: Local and Areawide*, the Commission discussed deficiencies in the existing apportionment of service responsibilities, suggested the criteria to be embodied in an ideal functional assignment policy, and offered recommendations as to how Federal, state, and local governments might reorder their respective functional responsibilities.

Briefly, ACIR recommends in its approach to four basic considerations functional assignment: economic efficiency, fiscal equity, political accountability, and administrative effectiveness. Taken together and balanced against each other, these considerations suggest that assignments of public service responsibilities should be made to jurisdictions that can, to the greatest extent possible, (1) supply a service at the lowest possible cost; (2) finance a function with the greatest possible fiscal equalization; (3) provide a service with adequate popular political control; and (4) administer a function in an effective, technically proficient, and cooperative fashion. Special attention was paid to those activities which under the four criteria could not be handled locally, and hypothetical assignments of functions were made on areawide, shared, and local bases. ACIR believes that the adoption of functional assignment criteria offers a way to the more effective allocation of service responsibilities among governmental jurisdictions. It concluded that a systematic, state-initiated assignment policy and process involving Federal, state, and local governments is clearly needed. Such a policy would permit a more reasoned and manageable apportionment of service responsibilities in the federal system than has existed to date.

Concerning some individual services, ACIR has adopted policies:

- urging more balanced transportation systems in metropolitan areas and non-metropolitan regions, and the means to attain all the components therein;

- systematizing and strengthening the provision of water and sewage facilities;

- reforming the criminal justice system to make it more effective, more efficient, and more humane;

- encouraging cost control and equitable distribution of health facilities and services; and

- equalizing education expenditures.

Strengthening General Purpose Management in Urban America

The growing importance of special districts, narrow categorical aid programs, and special interest lobbies has been due in large measure to the weaknesses in coordinative management at all levels of government as practiced by chief executives and legislative bodies. Such goals as comprehensive growth policies and program coordination cannot be reached unless this situation changes. ACIR recommends that each level of government take steps to strengthen its coordinative capacity.

Federal

- A kind of "crisis response" has become the hallmark of the national government today. It needs to be replaced by broader and more systematic planning and management processes which anticipate national policy problems and suggest alternatives for attack. Broadening the scope of the President's biennial reports on national growth, already commented on here, would be one way to begin moving toward meeting this requirement.

- The Federal government has already moved in recent years to develop better coordinative management procedures in other ways. On the legislative side, for example, this has taken the form of a strengthened committee system and budget process in Congress (through the provisions of the *Legislative Reorganization Act of 1970* and the *Congressional Budget and Impoundment Control Act of 1974*), while on the administrative side there has been a series of moves to decentralize and coordinate Federal management (through the establishment of Federal Regional Councils, the strengthening of state and areawide reviews of Federal aid applications, and the promotion of consolidated applications for joint funding).

- New Federal regulations establishing standard reporting procedures to inform state and local officials about grants, setting out a uniform method of providing Federal technical and special services to state and local governments, and simplifying Federal requirements in grant programs, also have been helpful. So have the passage of the *Intergovernmental Personnel Act*, extension of the *Civil Rights Acts*, and the consolidation of Federally funded employment programs. ACIR has supported these moves and called, in addition, for increasing use of broad block grants-in-aid rather than narrow categorical grants to states and localities, plus the streamlining of administrative procedures to improve management efficiency and reduce delay, eliminate overlaps and plug gaps.

State

- ACIR remains convinced that adoption of more flexible municipal annexation, incorporation, dissolution, and districting procedures by the states, allowing a greater degree of local determination of patterns of government (within the limits set or recommended by state and/or local boundary commissions and local government study commissions) would generate a more favorable climate for better management in urban governments. This would help to assure a logically drawn pattern of capable local government throughout each state.

- The states also need to improve their own executive organization, planning and budgeting systems, statewide substate districting systems, and legislative capabilities to meet the increasing demands of urban America.

- The states have the basic constitutional responsibility for local governments and their own relationships with them. This too often has been given inadequate attention. ACIR recommends that new emphasis be given to this responsibility, and to the state-Federal relationships as well, by establishing in each state an advisory commission on intergovernmental relations.

Local

- Additional methods of developing local managerial capability to tackle urban problems are also needed. The council-manager or council-elected executive forms of county government are generally regarded as offering better management capabilities than the traditional commission form of county government. Yet, about four-fifths of all American counties are still run by a commission without a single executive in charge.

- In addition, the move toward better fiscal management seen in the incorporation of some elements of a program, planning, and budgeting system (PPBS), already well advanced in many cities of over 50,000 population in the United States, needs to be extended to most units of local government in the nation's urban areas. Where the chief executive officer does not have official responsibility for preparing the budget, that authority needs to be provided.

Improving Urban Financial Management

In connection with its study of city financial emergencies, ACIR recommended a number of additional actions to improve financial management in the nation's cities.

State

- States should regulate locally administered pension systems, and provide for consolidation of small or poorly financed ones with each other or with centralized state systems.

- States should designate a single state agency to assist in improving local financial management and in detecting the early signs of financial trouble.

- States should establish guidelines to determine when state intervention is warranted.

- States should regulate the use of short-term operating debts by local governments.

Federal

- The Federal government should revise its bankruptcy laws to provide an improved process for settlement between the debtor municipality and its creditors, while allowing the municipality to continue to operate its essential public services.

Improving Urban Personnel Management

The personnel systems of state and local governments generally need upgrading. Personnel management has become far more complicated in recent years. A rise in unionism among municipal employees has accompanied the rapid increase in the number of employees in recent years. Other changes have also been noted in a recent article as follows:

> In 1953, state and local governments employed 4.1-million persons. . . . As of 1970, the number of employees had swelled to an estimated 10-million persons . . . . Accompanying the increase in personnel has been an equally dramatic change in the direction, scope, and sophistication of state and local governmental programs. Concomitant with the change in the personal characteristics of state and local government has been the emergence of personnel-related programs which [were] virtually unknown or of much less consequence in 1953. Issues now in the forefront of the public personnel scene include collective bargaining, minority group representation, public employment of the disadvantaged, expanded need for top level executives, shortages of personnel in many key areas, and intergovernmental personnel arrangements.[23]

In recognition of these changes, the National Civil Service League has prepared the sixth edition of its model Public Personnel Administration Law for the states to consider, and ACIR has supported a number of actions in this field.

Federal

- The Federal government has sought to alleviate the state and local personnel problem through the technical assistance terms of the *Intergovernmental Cooperation Act*, and through the personnel improvement grants to state and local governments and mobility assignment provisions of the *Intergovernmental Personnel Act*. The mobility program is one which makes possible temporary intergovernmental transfers to get qualified personnel to the level of government that needs them most. ACIR supported enactment of both of these laws.

- The Federal government should refrain from imposing mandatory wage, benefit, and work rule restrictions on state and local governments.

State

- States should enact comprehensive public labor-management laws, preferring "meet and confer" procedures to "collective negotiations." Such laws should prohibit strikes by public employees, and provide a plan allowing transfer of state and local employee retirement rights from one system to another.

Local

- States should minimize their mandating of employment conditions in local government which are properly the subject of negotiation between employers and employees.

- Most local governments still need to develop improved methods of measuring output or work load, to require expanded analytical staffs, and to provide more in-service training for central management personnel.

But problems in both recruiting appropriate governmental manpower at the state and local levels and in training existing manpower to meet the changing nature of urban governmental functions still remain to be solved. As a recent analysis suggested, the agenda of civil service reform should include:

> new forms of testing, better job design, new incentive schemes, better relationship of rewards to group effort, self and peer evaluations, and new methods of evaluating performance.[24]

Reducing Urban Crime

Although crime in urban areas, as elsewhere, is the result of a complex of societal and personal factors, dramatic improvements in handling the urban crime problem can be made by an overhaul of state laws and of state and local institutional arrangements for apprehending, trying, and rehabilitating criminal offenders.

State

ACIR, along with the Committee for Economic Development and other groups, recommends at the state level:

- broadened statewide enforcement authority and a strong capability for state police forces to support local ones;

- a mandatory state system of crime reporting;

- state technical assistance and training for local police forces, with minimum state standards for recruitment;

- provision of countywide police services by (1) county police departments, (2) incentives for merger and consolidation of small local police forces, or (3) modernization of the county sheriff's office and placement of sheriffs on a statutory rather than a constitutional basis;

- state specification of the scope of discretionary police activity and protection from tort liability for police acting within such scope;

- provision of extraterritorial ("hot pursuit") powers to local police forces in urban areas, and creation of specialized metropolitan police strike forces operating on an areawide basis, designed to be effective against organized crime and other similar problems; and

- local government action to involve citizens in the law enforcement process through vigorous police-community relations and other means.

In addition, reductions in crime also should be sought by overhauling the prosecutorial function; this should include (1) requiring all chief prosecutors to be full-time officials, with the prosecutor serving more than one county where financially necessary, (2) payment by the state of at least half the cost of local prosecutor offices, (3) strengthening the role of the state attorney general by permitting him to oversee the work of local prosecutors and where necessary to intervene in local prosecutions, and (4) full state funding of a statewide public defender system.

Federal

- Success in criminal justice activities also depends on a combination of leadership and flexibility by the Federal government in providing assistance to state and local criminal justice efforts.

Securing Greater State Commitment to Solving Urban Problems

Back of the many specific recommendations ACIR has made since 1959 for the solution of urban problems has been a parallel concern to arouse the states to an awareness of the scope and importance of the whole complex of urban problems so that they will mount stronger efforts to fulfill their inescapable responsibility for improving the urban condition in the United States. In its *1967 Annual Report*, the Commission noted that the states then seemed to be "on the verge of losing control over the metropolitan problem."[25] Although many advances have been made since that was written, it still remains true that the states have not yet wholly faced up to an acceptance of their own role in dealing with urban problems.

State

- Specifically, ACIR has urged that the states establish state departments of urban or community affairs to provide an administrative mechanism in state government for continuing concern and activity regarding urban affairs. As of 1975, all the states had established such an agency in some form.

- ACIR also urged the states to undertake the financial underwriting of certain urban problems. The states must begin to pay part of the bill for urban redevelopment, housing code enforcement, mass transit, and other major urban functions just as they have been paying for years a part of the bill for state agricultural experiment stations, county agents, and rural roads. This, of course, requires a politically painful realignment of expenditure priorities within the states, but until it is done, "one-man, one-vote" is an empty phrase, and the chance for a strong state role in the American federal system of the future is diminished.

Federal

- ACIR has urged that the Federal government channel urban grants through the states under two conditions, namely, where:
  - the state provides adequate administrative machinery, and
  - the state supplies from state general revenues at least half the non-Federal share of the required funds.

  If the state chooses not to meet these two conditions, a Federal-local relationship should obtain with respect to the particular program.

Achieving Greater Consistency Among Federal Roles in Urban Problem Solving

For a while in the 1960s, it began to look as if, by default, the states would surrender to the Federal government their proper responsibility for improving urban America. However, in the 1970s, the New Federalism and initiatives by the states themselves slowed this drift. Had a surrender taken place, however, the Federal government would not have been—and still is not—equipped to deal in a comprehensive, integrated way with urban problem analysis and solution. Congress has not organized itself to deal as effectively with urban affairs as it has with matters pertaining to agriculture, and the same lack of orientation toward urban problems prevails in the executive branch, despite the considerable attention devoted to urban problems by the Department of Housing and Urban Development.

Neither Congress nor the Federal executive has tackled, comprehensively or consistently, the problem of how to achieve the most effective working relationships with the states and their local units of government. Different patterns of intergovernmental relations are used for different Federal grant programs, and too little distinction is made in Federal grant programs between states having severe urban strains and those with very few. And the Federal government has not rationalized its approach to substate units of government generally.

What is needed is the development of a carefully articulated national urban policy. City officials at the 1974 meeting of the National League of Cities in Houston emphasized that the present *melange* of disparate policies and programs affecting cities does not amount to such a policy, and that until such a policy is developed and put forth, adequate solutions to the urban problem as a whole will not be forthcoming.

Adoption of the ACIR recommendations, most of which are examined more fully in the remainder of this volume, will go a long way toward the evolution of a national urban policy.

Summation

These then are the major thrusts developed out of Commission studies of the problems facing urban America, and of ways in which the federal system can be made to work better for urban America. The words of the *Tenth Annual Report* in 1969 still provide an appropriate summation of the Commission's approach:

> So . . . the nation continues its search for a New Federalism—dedicated to balance; designed to correct structural, functional, and weaknesses; and rooted in a vital partnership of strong localities, strong states, and a strong national government. Federalism, after all, seeks to enhance national unity while sustaining social and political diversity. The partnership approach is the only viable formula for applying this constitutional doctrine to 20th century America. Yet, this approach can succeed only if all of the partners are powerful, resourceful, and responsive to the needs of the people.[26]

FOOTNOTES

[1] The earlier designation "metropolitan district" was replaced by the Census Bureau in 1950 with "standard metropolitan area," which was defined as an entire county with the central city of at least 50,000 population, or groups of contiguous counties (or towns in New England), as the basic unit. In 1960, the designation was changed again to "standard metropolitan statistical area" and slight modifications were made in the definition. The term "standard consolidated area" was added to fit the special cases of several interrelated contiguous SMSAs. In 1971, the Office of Management and Budget issued another revision, this one permitting reasonable equivalents to the 50,000 population core city to be included. This made the total of 264 SMSAs. OMB again revised the list using 1970 Census figures and raised the number to 267 as of April 27, 1973. Additional revisions in 1974 and 1975 have brought the total to 276. It is an interesting commentary on American urbanness that those changes in definition have to some extent resulted from pressures from localities and citizens who are anxious to have the appellation "metropolitan area" as a sign of progress or advancement.

[2] *Report on National Growth and Development*, transmitted to the Congress, December 1974, p. 1. See also Ben J. Wattenberg, *The Real America* (New York: Doubleday, 1974), who argues that America offers more prosperity, social benefits, and equality of opportunity than ever before in its history. "The dominant rhetoric of our time is a rhetoric of failure, guilt and crisis," Wattenberg observes, when "the evidence of the data is the evidence of progress, growth and success." And this, he asserts, is beginning to be true for black as well as for whites.

[3] *Congressional Record*, 118:270 (January 19, 1972).

[4] See Luther Gulick, "Problems of U.S. Economic Development," *Problems of United States Economic Development* (New York: Committee for Economic Development, 1958), pp. 317-18.

[5] In his remarks dedicating the 1971 Yearbook of Agriculture, entitled *A Good Life for More People*, Secretary Butz said that such action would mean "developing [the] entire rural structure. It means highways, it means educational systems, sanitation systems, educational availability, access to [libraries], health delivery systems, and new rural housing and rural electrification and telephones." (Quoted in *Congressional Record*, 118:427 [January 19, 1972].) The word in brackets was "liberties" in the original.

[6] Wilfred Owen, *Making Cities Livable*. Highlights of *The Accessible City* by Wilfred Owen, Brookings Research Report 126 (Washington, D.C.: Brookings Institution, 1972), p. 2.

[7] National League of Cities, *State of the Cities* (Washington, D.C.: National League of Cities, 1974), p. 27.

[8] Dolph Frisius, City Manager of Woodlake, California, quoted in *Congressional Record*, 120:E3312 (May 28, 1974).

[9] Quoted in *The New York Times* (January 31, 1975), p. 1.

[10] David S. Broder's syndicated column, "The Weakness of Leadership," printed in *The Durham Morning Herald* (January 17, 1975), p. 4A.

[11] At least the failure led many Americans to revise their approach toward urban redevelopment and to begin to think instead in terms of urban conservation. One result of this change of attitude has been some easing of some state and locally imposed building code requirements.

[12] Roland Galatt, "Is Britain Dying?," *Saturday Review* (February 8, 1975), p. 16.

[13] Edward C. Banfield, *The Unheavenly City Revisisted* (Boston: Little, Brown, 1974).

[14] Eli Ginzberg and Robert M. Solow, "Some Lessons of the 1960's," *The Public Interest*, Winter 1974, p. 211.

[15] Theodore Lowi, *The End of Liberalism* (New York: Norton, 1969); Diana R. Gordon, *City Limits: Barriers to Change in Urban Government* (New York: Charterhouse, 1973).

[16] Garry Brewer, *Politicians, Bureaucrats, and the Consultant: A Critique of Urban Problem Solving* (New York: Basic Books, 1973).

[17] Robert Goodman, *After the Planners* (New York: Simon and Schuster, 1971).

[18] David R. Morgan, "Cities, Crisis and Change: Exploring Barriers to Problem Solving," *Public Administration Review*, September/October 1974, p. 505.

[19] For example, see the following article which summarizes the views of a former under secretary of HUD who had also been the mayor of a major city: Floyd H. Hyde and Esther Stanzler Meeker, "America's Housing Crisis: Victim of Nonpolicy," *Nation's Cities* (May 1975), pp. 13-18. The Congressional hearings on new and revised urban programs each year also contain substantial documentation of the needs for additional action—needs which often are reflected in new enactments. Such needs also can be found continually expressed in the publications and policy statements of such organizations as the National Governors' Conference, the U.S. Conference of Mayors, the National League of Cities, and the National Association of Counties.

[20] Quoted in Robert Mayer, et. al., *Centrally Planned Change: A Reexamination of Theory and Experience* (Urbana, Illinois: University of Illinois Press, 1974), pp. 188-189.

[21] "The Changing Federal System and Its Implications for Cities, States Leagues and NLC," a discussion paper prepared by the staff of the National League of Cities (March 1973). The quotations are from pp. iii-iv.

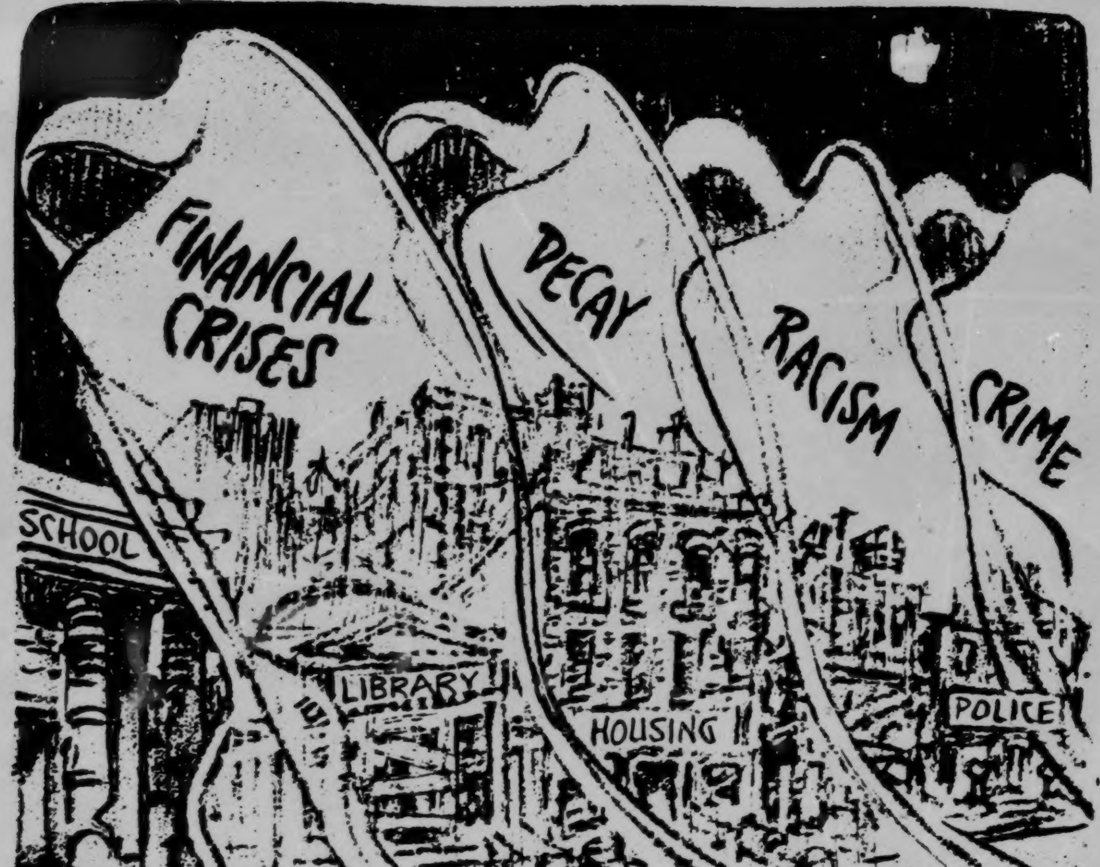
[22] The Council of State Governments, the National Governors' Conference, the National Conference of State Legislatures, the National League of Cities, the U.S. Conference of Mayors, the National Association of Counties, and the International City Management Association.

[23] "A Model Public Personnel Administration Law," *Good Government*, Fall 1974, p. 4.

[24] Enid F. Beaumont, "A Pivotal Point for the Merit Concept," *Public Administration Review*, September/October 1974, p. 430.

[25] ACIR, *Eighth Annual Report* (M-34), (January 31, 1967), p. 9.

[26] ACIR, *Tenth Annual Report* (M-42), (January 31, 1969), p. 10.


FINANCIAL CRISES
DECAY
RACISM
CRIME
SCHOOL
LIBRARY
HOUSING
POLICE
HOSPITAL
BIGCITY U.S.A.
COURT
RECREATION AREA
HERBLOCK

GHOST TOWN

FROM *HERBLOCK'S STATE OF THE UNION* (SIMON & SCHUSTER, 1972)

Chapter II

Overcoming the Urban Fiscal Problem

The urban fiscal problem, its general dimensions, the special plight of central cities, described in this chapter, occurs quite generally throughout the nation, impacting central cities and suburbs both to some extent. Nevertheless, the plight of central cities is severe enough to warrant special attention. In addition to setting forth these general and specific aspects of the problem, the chapter recounts ACIR's fiscal recommendations, related state and Federal actions, and the role of the nation's economy in overcoming the urban fiscal problem.

GENERAL DIMENSIONS OF THE PROBLEM

The nature of the fiscal problem consists of two closely interrelated components: some roots lie in the mismatch of required services and available revenue sources at the local level, while others lie in a poorly constructed intergovernmental fiscal system. Except for the functions performed as agents of state government, local governments exist to provide services which their residents want but either cannot provide for themselves or prefer to have provided publicly. Over the years, as urban areas have become more crowded and more complex, the services required of local governments have risen sharply in number and in diversity, until by now they include most of the amenities of urban life.[1]

Rising Expenditure Demands

The cost of providing these services has forced a rapid rise in local government expenditures. Local governments entered the postwar years with a large backlog of unmet service needs. As they set out to meet them, they were faced with rising prices, heavy additional population growth, expanding opportunities and requirements generated by technological advance, and rising expectations on the part of their citizens. And lately these influences have been added to by the forces of inflation and recession. Although it is difficult to assign each of these factors its proportionate share of the responsibility for increasing local expenditure demands, they are forces which are likely to determine the future as they have the past.

The urban dimension of the local fiscal problem is particularly acute, both because urban governments are required to perform a wider range of public services than their rural counterparts, and because many urban units have attained such large size that they are difficult to administer. Continuing migration from farm to city means continually expanded needs for police and fire protection, for added water and sewerage facilities, and for all the amenities of life urban government make available. And the more densely populated an urban center becomes, the more complicated and expensive it is to provide them. Furthermore, the recent acceleration of the movement to the suburbs has forced state and local authorities to extend urban services to those areas at the same time they have to meet still rising needs in the central cities.

The size of urban areas probably affects per capita expenditures and employment more directly than any other factor. Population size may lead to diseconomies of scale at the same time it makes more or better public services necessary. And diseconomies also may emerge as a city expands beyond its "optimal" size and enters that part of the expenditure or employment curve where unit costs or labor needs increase with additional numbers. (Prior to reaching this "optimal" size, growth may lead to economies of scale in the provision of certain public services as costs are spread over a larger number of people, thereby reducing unit costs.)[2]

Local Revenue Gap

Despite the rise in expenditure demand, it is the gap that has been allowed to develop between local government expenditures and revenues which is at the heart of the local fiscal problem. Given the general slicing up of the urban tax base among fragmented governmental jurisdictions, and the forced reliance of local governments in many urban areas on the local property tax for the largest share of their revenue, the fact is that demands for public services simply outrun the revenue possibility of the nation's cities, counties, and townships.

Fragmentation is perhaps felt most keenly in its breaking up of local areas into so many small units that for many there is no possibility of a tax base on which to draw that is anywhere near commensurate with the services its inhabitants expect.

The shortcomings of the property tax are well known – the heavy burden it imposes on housing, its unequal assessment pattern, its regressive incidence on the poor and elderly, and its adverse land use effects – but one limitation is that the "automatic" revenue increase therefrom barely keeps pace with economic growth, while expenditure demands increase faster than economic growth.

Even with more intensive use of the property tax, and with the revenues derived from a range of local non-property (mostly "nuisance") taxes and user charges, local revenues have simply not been enough for the job. Thus, local policymakers face a yearly dilemma – how to close the next year's budget gap? Moreover, the allocation by the states to local jurisdictions of substantial responsibility for financing education and other public benefits causes a severe tax overload for many urban jurisdictions. The local tax base in the United States is forced to bear the costs of over half of the total bill for public elementary and secondary education and of about 8 percent of the costs of public welfare.

Lopsided Governmental Aid

For many years, gaps in the local revenue pattern have been filled in part by intergovernmental transfers and by borrowing. Most state aid systems, however, aggravate rather than compensate for the growing fiscal disparities among local governments within metropolitan areas. Recently, responsibilities have been shifting from the Federal to other levels of government without a commensurate shift in the amount of Federal funds to meet added service demands in urban centers. In fact, as the National League of Cities has pointed out, "The issue of more responsibility and less money gives impetus to an increasingly serious array of problems associated with the implementation of the 'New Federalism'."[3]

Together, the state and Federal programs in aid of urban governments do not provide a satisfactory integrated system to supplement local revenues. At best it is haphazard and uncertain over time.

Bottom of the Tax Totem Pole

While the fiscal plight of more of America's central cities becomes desperate, the fiscal supremacy of the national government *vis-a-vis* the state and local governments has become steadily more pronounced. The growing economic interdependency of the nation gives the Federal tax collector, armed with the most productive tax – the income tax – and the broadest geographical reach, the advantage in tapping the nation's total government revenue potential. The "revenue cream" generated by the American economy rises to the top governmental level. Although the states have recently become increasingly adept at tapping the cream as it moves upward, there is virtually no way local governments can do likewise – unless the states act to make it possible.

Meanwhile, the continuing fragmentation of American metropolitan areas into more units of local government, in response to popular attachment to the concept of home rule, works in precisely the wrong direction: it both constricts the tax reach of local jurisdictions and overloads the "have-not" central cities with enormously disproportionate service and fiscal burdens.

None of this needs to have occurred. State and Federal policymakers have not done all they could to alleviate the urban fiscal plight because they recognize their inability to muster the support necessary for remedial actions. A strong tradition of local home rule flourishes in the United States, impeding most attempts to bring needs and resources into better alignment via the *administrative-centralization* approach – *i.e.*, creation of a metropolitanwide government and shifting responsibility for certain high cost services to this new level or to the state or Federal levels. And tradition discourages the separation of tax and expenditure responsibilities, thereby discouraging adoption of a *fiscal-decentralization* approach – *i.e.*, the permanent transfer of Federal funds to state and local governments on a wholly no-strings basis, or the assumption by state governments of responsibility for financing the most costly of all functions, education, while leaving wide policy discretion in the hands of local school boards. There is now ample evidence to demonstrate that the local fiscal climate becomes less severe where a state begins to erect obstacles to further political and fiscal splintering of metropolitan areas, to frustrate the desire of many urban residents to encapsulate themselves and their taxable property in suburban havens, and to assume responsibility for financing a greater part of such high cost local programs as education.

THE SPECIAL PLIGHT OF CENTRAL CITIES

But the fiscal problem of American urban areas is not a monolithic one. At one extreme, the "big losers" are often the central cities – particularly those in the great metropolitan areas of the Northeast and Midwest – "stuck" with a declining tax base and confronted with the need to make rapidly mounting expenditures to meet the demands of a population consisting increasingly of poor minority groups. At the other extreme, the "big winners" are usually suburban jurisdictions wealthy enough to meet service demands with a below average tax effort. Certain cities have already reached the emergency point, with expenditures regularly exceeding revenues – Detroit, Buffalo, New York, and Cleveland, are cases in point – while in many other central cities, the financial condition oscillates between moderate deficit and the breakeven point.[4] Most cities move back and forth between a slight deficit and a slight surplus, depending on the varying circumstances and demands of the time. However, with "the sharp increase in their energy costs, the prices for asphalt, highway maintenance, salaries to public employees, and even the prices of chemicals needed to purify drinking water,"[5] which all cities are facing in the mid-1970s, more and more cities can be expected to move into the "severe stress" column. There are, happily, a few cities, such as Honolulu, where virtually no splintering of the metropolitan area tax base has occurred and the state government underwrites almost all the costs of public education and welfare. But they are rare enough to constitute the exceptions to the rule.

The Balanced Municipality Gone

The fiscal plight of many American central cities is a relatively new development resulting from increasing jurisdictional fragmentation in the nation's metropolitan areas. It has not been long since most cities possessed a large measure of social and economic unity. To be sure, there were those who lived on "the other side of the tracks," but the overall community did encompass within its boundaries virtually all the area's residential, commercial, and industrial development. The city's "deficit areas" – the low-income residential areas – were offset by the "surplus area" within the city's boundary – the high tax producing districts associated with the central business area, the industrial section, and the high-income residential neighborhoods. These balanced municipalities were able to keep the public peace by moderating the competing demands of the various classes that comprised the urban body politic.

But those days are pretty well gone. In many of our metropolitan areas the twin forces of urban expansion and social segregation have combined to upset the old balance and to alter profoundly the social and political character of the typical urban municipality. Now com-

Table V

Per Capita Non-Educational and Educational Expenditures, 72 Largest SMSAs, 1970

	Total Expenditures		Educational Expenditures		Non-Educational Expenditures	
Region and SMSA	**CC**	**OCC**	**CC**	**OCC**	**CC**	**OCC**
Northeast	$551	$405	$181	$223	$370	$182
Hartford, Conn.	501	399	208	214	293	186
Wilmington, Del.	679	303	251	210	428	93
Washington, D.C.	1006	425	261	244	745	181
Baltimore, Md.	638	349	222	215	416	134
Boston, Mass.	531	365	139	177	392	188
Springfield, Mass.	393	310	155	167	238	143
Jersey City, N.J.	454	357	128	109	326	248
Newark, N.J.	735	441	216	205	519	236
Paterson-Clifton-Passaic, N.J.	381	418	141	197	240	221
Albany-Schenectady-Troy, N.Y.	473	495	161	289	312	206
Buffalo, N.Y.	528	520	165	261	363	259
New York City, N.Y.	894	644	215	332	679	312
Rochester, N.Y.	699	549	225	325	474	224
Syracuse, N.Y.	561	586	159	318	402	268
Allentown-Bethelem-Easton, Pa.	312	348	138	228	174	120
Harrisburg, Pa.	359	297	204	216	155	81
Philadelphia, Pa.	495	325	174	203	321	122
Pittsburg, Pa.	450	309	154	180	296	
Providence, R.I.	392	265	139	146	253	119
Midwest	480	349	183	200	297	149
Chicago, Ill.	478	346	158	199	320	147
Gary-Hammond-East Chicago, Ind.	465	310	244	184	221	126
Indianapolis, Ind.	355	306	144	194	211	112
Wichita, Kansas	474	360	164	225	310	135
Detroit, Michigan	471	462	177	261	294	201
Flint, Michigan	747	449	289	240	458	209
Grand Rapids, Michigan	434	364	198	186	236	178
Minneapolis-St. Paul, Minn.	540	520	154	234	386	236
Kansas City, Mo.	485	347	169	194	316	153
St. Louis, Mo.	463	292	176	187	287	105
Omaha, Neb.	335	338	135	243	200	95
Akron, Ohio	412	310	148	186	264	124
Cincinnati, Ohio	761	262	343	131	418	131
Cleveland, Ohio	512	368	210	195	302	173
Columbus, Ohio	398	290	133	179	265	111
Dayton, Ohio	456	291	165	171	291	120
Toledo, Ohio	444	294	146	150	298	144
Youngstown-Warren, Ohio	335	236	135	144	200	92
Milwaukee, Wisconsin	562	486	183	250	379	236

Table V (continued)

Region and SMSA	Total Expenditures CC	Total Expenditures OCC	Educational Expenditures CC	Educational Expenditures OCC	Non-Educational Expenditures CC	Non-Educational Expenditures OCC
South	383	270	153	164	230	106
Birmingham, Ala.	334	244	111	153	223	91
Mobile, Ala.	333	188	109	106	224	82
Jacksonville, Fla.	307	0	167	0	140	0
Miami, Fla.	481	387	202	202	279	185
Tampa-St. Petersburg, Fla.	372	288	162	162	210	128
Atlanta, Ga.	554	315	218	191	336	124
Louisville, Ky.	508	302	246	212	282	90
New Orleans, La.	334	325	126	123	208	202
Greensboro-Winston Salem-High Point, N.C.	433	244	157	150	276	94
Oklahoma City, Okla.	296	264	118	157	178	107
Tulsa, Okla.	306	202	146	121	160	81
Knoxville, Tenn.	372	228	134	157	238	71
Memphis, Tenn.	370	240	135	183	235	57

SOURCE: ACIR, *City Financial Emergencies: The Intergovernmental Dimension* (A-42), (Washington, D.C.: U.S. Government Printing Office, 1973), p. 133.

munities are more apt to be lopsided, with the central or core cities often becoming blacker and poorer when compared to the burgeoning economy of the sprawling and subdivided suburbs, which often have become wealthy estate and industrial enclaves or predominantly white middle-class bedroom communities. The political leadership of the earlier balanced community was under constant pressure to conciliate the conflicting demands of the various groups within it; in contrast, the political leaders of the new metropolitan communities are virtually forced by the interests of their narrower constituencies to sharpen and reinforce the differences that make up each community in the area.

This political transformation becomes even more ominous because the highly decentralized system of government historically has relied almost entirely on cohesive powers of the municipality to hold together diverse components of the urban population. Moreover, the nation has leaned heavily on the local tax base in general, and on the property tax in particular, for financing its domestic needs. It is ironic that the political balkanization of urban areas occurs in the face of a growing need for social cohesion in an increasingly interdependent society.

The tendency for metropolitan areas to split politically along their income and racial seams is most apparent in the Northeast and Midwest, and least noticeable in the Southwest. In such Southwestern metropolitan areas as Houston, San Antonio, and Phoenix, the vigorous and early use of annexation procedures has prevented much of the balkanization so characteristic of the older Eastern areas. Indeed, their actions may well have been prompted by repeated observation of Eastern cities slowly being choked to death by the white noose of suburban municipalities.

A Catalog of Problems

It is, thus, in the central cities that the urban fiscal outlook is most grim:[6]

- Central cities are confronted on the one hand with the need to satisfy rapidly growing expenditure requirements arising from the rapid increase in the number of "high-cost" citizens – the black, the poor, and the elderly. On the other hand, their tax resources are either declining or are increasing at a decreasing rate, reflecting the exodus of industry and middle- and high-income families to the suburbs.

- Per capita local government expenditures in the central city exceeded suburban outlays in the 72 largest metropolitan areas in 1970 by more than $150 (see *Table V*). Differentials were greatest in the Northeast and Midwest and less pronounced in the West and South. Only nine suburban areas have per capita levels for total expenditures which were greater than those in their central cities, and even in these, expenditures were not more than about 10 percent greater than central city levels, whereas 22 central cities showed total expenditures 50 percent or more higher than their suburban ones. On the average, central city expenditures were 31 percent greater than suburban outlays.

- The gap between central city and suburban expenditures is largely the consequence of the higher non-educational demands in central cities. In general, non-education expenditures – police and fire protection and sanitation services chief among them – were double those in suburban areas. In no case did suburban non-educational expenditures surpass those of central cities; in 19 instances, however, central city expenditures outran suburban expenditures in both education and non-education functions. The central cities' forced concentration on non-educational services has created the central city-suburban expenditures gap; the higher levels of per capita educational expenditures in the suburbs has kept the gap from becoming even more pronounced.

- Local school costs generally make up 33-38 percent of central city expenditures, while suburbs on the average utilize 50-60 percent of their budgets for education. Expressed another way, suburban areas exhibited a roughly 50 percent greater concentration on educational expenditures than did central city areas, despite the fact that schools in the central cities must carry the heavy burden of educating an increasing number of underprivileged and disadvantaged children.

- Per capita taxes were 30 percent higher in the central city than in their suburbs in 1970. The differentials were higher in the Southern and Midwestern regions. Higher central city taxes serve to reinforce the other factors pushing upper-income families and business firms out of the central city into suburbs.[7] Nor are state and Federal aid flows to the central cities sufficient to overcome the forces working against the urban core.

Suburban Insularity

The situation for most central cities becomes even more critical when it is noted that no *voluntary* solution is likely. The rich suburban communities have a strong motivation to protect the *status quo* and preserve their high quality services intact. Local policymakers are very sensitive to intercommunity tax rate differentials. Suburban political leaders can do little else but oppose proposals calling for a significant redistribution of resources in metropolitan areas, such as an areawide tax with a strong equalization thrust to aid the central city. Similarly, they can be expected to view with a jaundiced eye any proposed major redistribution of burdens, *e.g.*, the rezoning of suburban land to permit low-income central city families to obtain public or low-cost housing in suburbia.

The fiscal problem is not entirely one-sided, even so. All metropolitan area suburbs are not enclaves of the wealthy and of relocated or new industrial and commercial developments. Suburbia itself reveals a range of rich, moderately well off, and low-income jurisdictions. Because they usually lack a diversified tax base, most of the low- and middle-income residential suburbs can expect a deterioration of their fiscal prospects not unlike that now being experienced by central cities. For it appears that recent suburban expansion has been caused by "the lower-middle-class white collar worker and the blue collar worker . . . fleeing the central city . . . giving increasing rise to the demand for suburban development which caters to the economic capabilities of these groups. The composite of these trends . . . seems to indicate that the newly developed suburban community of the future will be developed with tax bases which fail to provide adequate fiscal capacity for the support of municipal and educational services."[8]

A Metropolitan Continuum

Indeed, fiscal disparities in metropolitan areas are relative to one another. Every jurisdiction is not a loser; some are winners. In fact, it is possible to detect at least five gradations along the disparity continuum. It would probably be possible to place most metropolitan communities in one of these five, were full statistics available.[9]

1. *Highly disadvantaged* – A community

that falls far short on the public service side even though it makes an extraordinary tax effort.

2. *Disadvantaged* – A community that must make an extraordinary tax effort to provide an average level of public service.
3. *Balanced* – A community that can bridge the gap between resources and needs by providing an adequate level of service with an average tax effort.
4. *Advantaged* – A community that can provide a superior level of service with an average tax effort.
5. *Highly advantaged* – A community that can provide a superior level of service with a minimal tax effort.

Obviously, there would be no cause for alarm if most of the communities in our metropolitan areas fell somewhere in categories 3, 4, or 5. The problem is that many – especially central cities – do not. Instead, they fall in one of the first two categories. And disparities between jurisdictions continue to develop. No community within a metropolitan area ever stands still in relation to those around it.

In the desire to move up the scale, local policymakers continually seek to devise policies that will enable them to do so – or at least to remain even. Those policymakers have three prime weapons to use in advancing their drive: the power to tax, the power to spend, and the power to determine land use.

> The *power to tax* exists in fact by state grant, though localities have had that power in Anglo-American communities for centuries. Basically, each local jurisdiction assumes that it has the unchallengable and exclusive right to protect and to exploit all the taxable resources within its own domain. While this "winner take all" philosophy may have made good sense in the days of the old "balanced" communities, it takes on a different color altogether in a modern sprawling metropolitan area covered by competing and unequal governmental units. One jurisdiction can reap all the tax benefits of an industrial location while the neighboring residential communities are often required to pay the costs of educating the children of the new employees. The necessity of meeting the service needs of commuters while they are at work during the day forces central cities to spend far more than most of their suburban neighbors for police, fire, and sanitation services.
>
> The *power to spend* is not regarded as a free power by most jurisdictions. In the interests of "staying in line" with their neighbors, so they will not lose out in the eternal competition for new residents and industries, most local jurisdictions keep their expenditure policies under constant review and examination. They are concerned, first of all, lest their public service standards in general, and their education standards in particular, fall too far short of those set by their neighbors, thus causing them to lose in the competition;[10] but they are also fearful lest in trying to achieve higher standards, they may raise their tax rates too much and thereby lose in the competition anyhow. Caught in this crossfire, policymakers in the less fortunate metropolitan jurisdictions must attempt to frame both an expenditure policy that will not force taxes to undesirable levels and a tax policy that will underwrite an acceptable level of public services.
>
> The *power to determine land use* is utilized in conjunction with the power to tax. In order to hold down education costs, suburban legislators are under strong temptation to use a low density approach to residential zoning. Although one-acre suburban lots may be denounced as restrictive zoning, they may also be hailed as features of financial prudence – the only sure way of holding down school costs and property tax rates. The zoning of great stretches of suburban land for commercial and/or light industrial purposes is another example of fiscal zoning. There is always the hope that a large share of the local tax burden can be exported to neighboring communities by snagging the giant shopping center, the industrial research park, or the massive public utility installation. In brief, the name of the game is cutthroat intergovernmental competition, and its object is to "zone in" urban resources and to "zone out" urban problems.

All three of these powers are, of course, derived from the state, and the ultimate responsibility for the way in which they are used lies with the state. But the popular political rhetoric about home rule and decentralization has pretty much blunted the states' ability to do anything about the widely different levels of service and the widely different tax burdens which have come to exist in their metropolitan areas.

The Limited Impact of Intergovernmental Aid

When the states have acted — as many have — financial aid frequently has been designed to help achieve equalization. The national government has also been urged to do the same thing, and it too has appropriated millions of dollars in aid to urban areas. But this intended impact has been limited.

Although state and Federal aid to central cities has increased over the years, in 1970 central cities received only $21 per capita more than did their suburbs — an amount 16 percent higher than suburban areas. State and state-administered intergovernmental aid to suburban areas was often greater in 1970. Indeed, in 37 of the 72 SMSAs in 1970, this type of aid was at a higher level in the suburbs. Whatever advantages to central cities, therefore, were chiefly the result of direct Federal aid. This Federal aid was higher in central cities than in suburban areas in 68 out of the 72 SMSAs. Combined state and Federal aid was most central city-directed in 1970 in the Northeast, it being 46 percent higher in central cities than in suburbs; but central city total aid only exceeded suburban aid by about 10 percent or less in the Midwestern, Southern, and Western regions of the country. In any case, intergovernmental aid continues to have a greater budgetary impact in the suburbs than in the central cities. Outside of the Northeast, only seven central cities in the country had more of their total expenditures met by intergovernmental aid than did their suburban areas. In the Northeast, intergovernmental aid met a significantly greater proportion of expenditures in the central cities of the Washington, Baltimore, Boston, Springfield, Newark, Paterson-Clifton-Passaic, and New York metropolitan areas than in the suburban parts of those SMSAs.

But if in theory the state and national governments, with their superior fiscal resources, could have directed their aid so as to reduce local fiscal tensions by putting sufficient aid into the coffers of the most disadvantaged local units of government, in practice there is little evidence that state and Federal aid combined has materially slowed down (let alone reversed) the forces working to increase metropolitan fiscal disparities. On the contrary, there is considerable evidence to suggest that because most state school aid programs fail to recognize the existence of central city overburdens, state school aid policies have had the effect of making the situation worse rather than better. And the not uncommon state practice of sharing a part of state tax receipts with local governments on the basis of taxpayer residence serves to do the same thing. Federal mortgage insurance, highway, and other grant-in-aid policies have likewise served to increase the gap between the "have" and the "have not" communities in metropolitan areas. And the so called "impact aid" to school districts under Public Laws 815 and 874 also has tended very often to widen fiscal and social disparities in metropolitan area education.

To the extent that state and Federal aid programs have equalizing effects, they are usually indirect — the byproducts of specific policies designed to help poor *people* rather than direct results of programs designed to find and help poor local *jurisdictions* per se. Because the poor increasingly tend to cluster together in the same parts of a metropolitan area, any state or Federal aid program with a direct poverty orientation is bound to have some sort of indirect interlocal equalization effect. The Federal social security program — OASDHI — can be cited as one program with just that effect.

Nevertheless, even after all of the state and Federal aid programs with the most indirect equalization effects are thrown on the scales, the fact remains that intergovernmental financial help has yet to come in sufficient magnitude to turn the fiscal tide for the nation's hard pressed central cities. Nor does it promise to do so in the face of the national recession in the mid-1970s. Central cities across the country are faced with dwindling tax resources, augmented expenditure demands, inflated costs of doing business, and accumulating burdens in terms of salary increases and other employee benefits negotiated when the national economy looked a good deal brighter — a combination of conditions that sets most of them aside from their suburban areas and unquestionably puts some of them in a situation which warrants the title of "crisis."

To what extent intergovernmental aid should be the salvation of central cities in any case is another question. As *The New York Times* pointed out editorially early in 1975 about New York City, even if the city

> is still counting heavily on additional help from both the state and Federal governments to close the city's still substantial budget gap . . . there [remains] the need to question whether unlimited revenue sharing from higher levels of government is really a satisfactory cure for local fiscal constraints . . . there are necessary limits to state and Federal largesse. [New York City] . . . must being to think more in terms of self-sufficiency. [All] must recognize . . . that New Yorkers have been

> living far beyond [their] means . . . . [They] must move more vigorously to bring the city's current and antiquated spending into closer balance with its own potential revenue sources.[11]

Education and Welfare Costs

To do that would be easier for New York and most other central cities if the states had demonstrated more interest over the years in assuming primary responsibility for the costs of elementary and secondary education – a function that in modern mobile America has lost much of its justification for purely local support. Yet, education, while constitutionally a responsibility of the states, is by tradition and statute a local function. American grassroots feeling runs high in favor of local *control*, which in the minds of many means substantial local *support*. In the average school district, the local share of school costs is about 50 percent, the state share 40 percent, and the Federal share 10 percent. The local share of those costs consume over half of every local property tax dollar. And it is from the local property tax that local governments raise most of their own revenues – about seven of every eight dollars on the average – to meet all the services they must perform for their citizens.

As education costs have risen and have claimed an ever higher proportion of local property tax derived funds, two effects have been felt: slowly but surely the financial burden of educational costs is driving other equally legitimate municipal-type demands – police, fire, sanitation, streets, etc. – to the fiscal wall; and despite all efforts to equalize educational opportunity through a variety of state aid formulas, a wide disparity in the quality of education has come to exist between districts. In fact, the quality of local education often has been determined largely by the accidents of local property tax geography. The courts have begun to take note of this fact and to order rectification. (See, for example, *Serrano v. Priest* and further treatment of the subject later in this chapter.)

As if this educational finance problem was not serious enough by itself, some states still require the local property tax to underwrite a considerable part of the non-Federal share of public welfare costs. This is a flagrant example of the misallocation of functional responsibility, since welfare is no longer a state or local problem, but a national one, with important nationwide implications at least for economic development and interstate migration. Fortunately, the nationalization of welfare costs has begun. ACIR called on the Federal government in 1969 to take over the financing of all public assistance programs and Medicaid, and in 1972, Congress nationalized, as of January 1, 1974, the adult categories of public assistance – aid to the blind, aged, and disabled. Aid to families with dependent children and Medicaid were not included in the legislation and still impose heavy burdens on state and local treasuries. This forces continued reliance on the regressive and already heavily overburdened local property tax to underwrite a portion of the costs of the very heavy public welfare loads in America's central cities.

Until they act to assume larger shares of the costs of education and welfare, the state and Federal governments intensify the urban fiscal crisis and turn the logic of federalism upside down. In theory, the superior revenue systems of the states and the national government should reinforce the limited revenue capabilities of local government. But in practice almost the reverse happens. The local property tax serves as a backstop for programs which should be state and Federal responsibilities.

The Failure of States and the Federal Government

Federal aid has been extended to support many urban services in addition to education and welfare. In the process of developing the hundreds of separate grant-in-aid programs that had come into existence by 1970,[12] however, the Federal government imposed its own set of obstacles for local governments, matching those erected by the states in the form of the lopsided local jurisdictions which fragment the metropolitan landscape. The increasing number of Federal grant programs lead to Federal interference in the policy and administrative roles of state and local officials, becoming coercive in their impact. Moreover, another deficiency became evident: a failure to sort out clearly the basic purposes for which the national government should extend aid to state and local governments. The classic objectives of fiscal aid – stimulation, demonstration, general support, and equalization – are not clearly differentiated under the aid "system" developed – if indeed it can be called a system at all. In ACIR's view, the need has long been urgent for the national government to apply these objectives to the existing package of Federal aids, as well as to introduce a greater degree of flexibility into that package.

Just as the ever greater degree of metropolitan disparity reflects the inability of most state legislatures to stick to the concept of the balanced urban community, so also the burgeoning of narrow categorical grants reflects the inability of Congress to devise a

REMEDIAL ACTION NEEDED

Ever since its creation, ACIR has been concerned about fiscal imbalances in the American federal system. The Commission has concluded that in attempting to remedy the situation two great goals must be kept in mind: decentralizing decision-making, and assuring the more equitable distribution of the costs and benefits of domestic government. At the same time, the remarkable political, social, and economic diversity which characterizes America as a nation should not be sacrificed. The dilemma is how to achieve a balance that will let the United States attain the former while holding on to the latter.

With each passing day, the growing economic interdependence of the nation enhances the fiscal and tax superiority of the national government. This fact, and the continuing predisposition of Congress to enact narrowly conceived, strings-attached grants-in-aid, threatens the goal of decentralized decision-making. On the other hand, the inexorable forces of urbanization, which have made municipal boundaries ever less meaningful, leave in their wake glaring fiscal disparities among jurisdictions within the same metropolitan area, and play hob with elemental goals of social justice. The first condition calls for remedial action by the national government; the second suggests that the states, increasingly, should take on many of the classical political and fiscal functions once performed by the old balanced municipalities themselves.

What is necessary in the face of growing urbanization and increasing economic interdependence is a set of corrective measures in the federal system along the following lines, measures which the Commission sees as calling for strong positive action by both the state and the Federal governments.

Major ACIR Recommendations: A Summary

What the States Can Do

- Broaden the geographic base of support for public elementary and secondary education by eventual state assumption of virtually all the costs of financing public elementary and secondary education.
- Work toward the development of an effective and equitable state and local revenue system (1) by introducing or securing the balanced state and local use of income and sales taxes, (2) by rehabilitating the property tax, (3) by developing state aid programs which take into account variations in local fiscal capacity, (4) by defining the state role in treating and preventing financial emergencies in cities, and (5) by relaxing limitations on local debt.[13]

What the National Government Can Do[14]

- Bring its superior fiscal power to the aid of state and local governments (1) by national assumption of complete financial responsibility for public assistance, including Medicaid, (2) by harnessing its growing fiscal power to the concept of shared power by welding into the Federal budget on a permanent basis the principle of Federal revenue sharing with state and local governments, and (3) by streamlining the Federal categorical grant-in-aid system.
- Expedite the development of an effective and equitable state and local revenue system by granting Federal income tax credits for state income taxes paid.
- Develop a Federal approach to aid state and local capital financing through stabilization of the municipal bond market, making Federal aid for capital projects more predictable, and encouraging state financial participation in Federal aid programs.

Happily, it is possible to report a good deal of response to these recommendations. In some areas, the ice has only been cracked, but in others a corrective movement is well underway. In the remainder of this chapter, an attempt will be made to report developments to date in meeting these ACIR recommendations.

principle by which it can harness its superior fiscal power in behalf of federalism. And just as the political integrity of the nation's front line forces for domestic action – local governments – is jeopardized by haphazard and lopsided metropolitan development, so also is that integrity threatened by the growing fiscal superiority of the national government and the failure of that government to develop a balanced system of support.

STATE ACTIONS:

BROADENING THE GEOGRAPHIC BASE OF EDUCATIONAL FINANCE

Probably no society has been as education conscious through its whole history as American society. Education has been a major social commitment in the United States since colonial days. "Enlighten the people generally," Thomas Jefferson once said, "and tyranny and the oppressions of mind and body will vanish, like evil spirits at the dawn of day." Education is regarded as necessary for good citizenship and the performance of public duties and for the preservation over time of cultural values, as well as the essential base for occupational and professional development. So believing, Americans have always taken education seriously. It is by now simply an article of faith in this country that more and better schooling is always required to enable children to enter and to succeed in the changing world of work. Opportunity for education, in sum, is regarded by Americans as one of their most cherished civil rights.

So highly do American regard education that they have pushed it up to second place in terms of total public spending in the United States – next only to defense. Expenditures at all levels of government for public and secondary education alone in 1974 were estimated at $62-billion, and such costs consume about half of all local government expenditures. As noted earlier in this chapter, the pressures of other public services needs in central cities cause less emphasis on schools, on the average, but even in such areas the costs of elementary and secondary education average about 40 percent of total expenditures. Obviously, the population concentration in metropolitan America generates the major portion of pupils enrolled in American public schools; in 1973 this amounted to about 34-million out of the 60-million total. To take care of these students, the public school systems of metropolitan areas employ more than 2-million people, roughly two-thirds of the number engaged in all other local government functions combined.

And from the outset, Americans have wanted control of the schools to be localized. They do not question the traditional concept of local control in maintaining diversity and educational versatility. They have chosen to assign responsibility for schools to units of local government.

In most metropolitan areas, school administrative patterns contribute significantly to the problem of local government proliferation and layering. Of the local governments in metropolitan areas as of 1972, 4,758 were independent school districts, while only 517 public school systems in SMSAs operated as a part of county, municipal, or town government. Only about one-fourth of all metropolitan area school districts were geographically coterminous with any other government. The central cities of metropolitan areas in 1972 were served by 3,238 school districts, of which 2,879 were independent districts and 2,512 were geographically noncoterminous either with the central city or the entire county in which they were located.

There has been a material reduction in numbers of school districts within metropolitan areas, as elsewhere in the nation: the count in SMSAs dipped from 7,000 to 5,000 between 1962 and 1967, and to 4,758 in 1972, while districts outside SMSAs dipped from 28,000 to 17,000 between 1962 and 1967 and to 11,023 in 1972. Even so, many small units remain; more than 12 percent of the school systems in metropolitan areas had fewer than 300 pupils in 1972 (see *Figure III*). Those systems typically were found in communities with a total population of under 5,000 each.

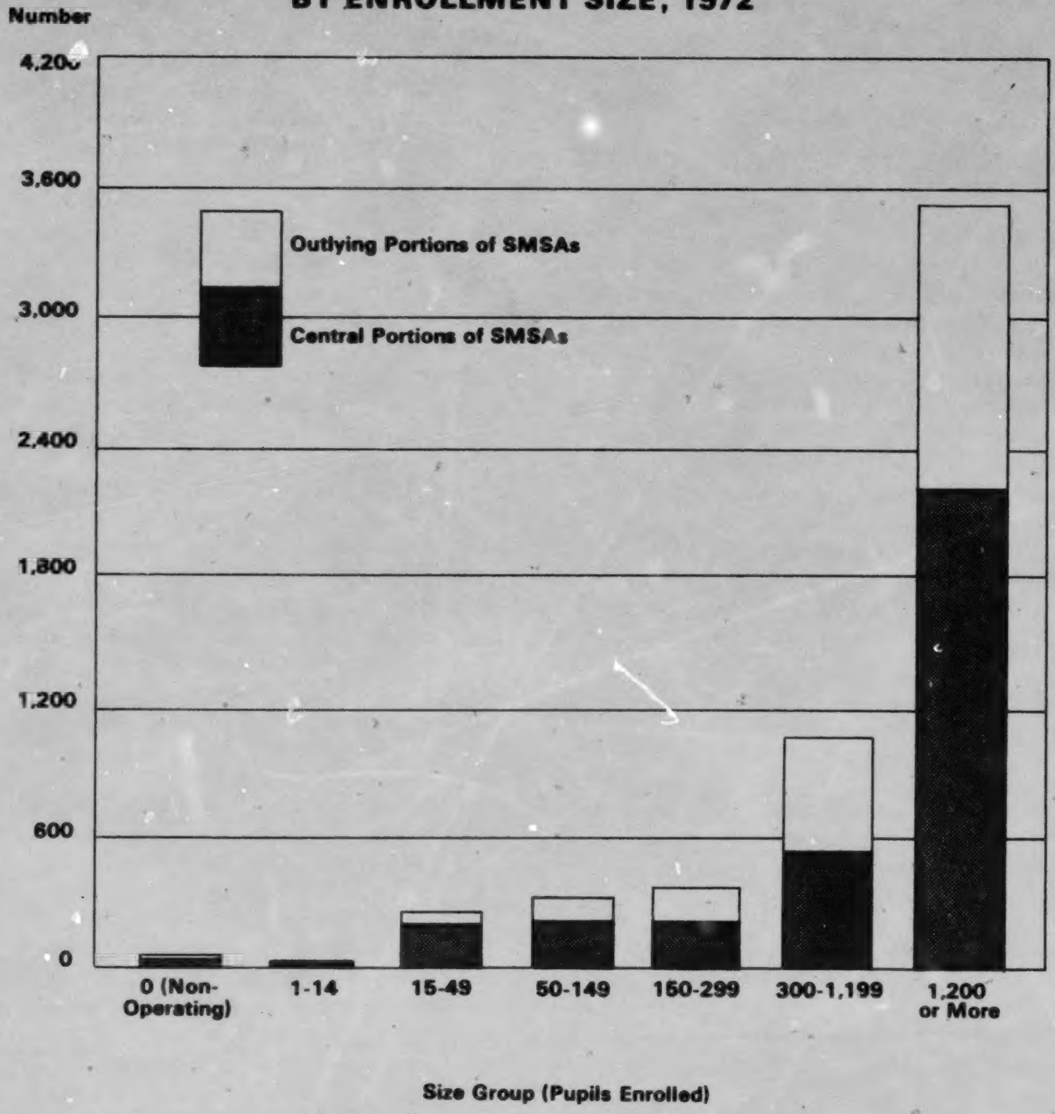
In some instances, there is even a dual layering of school districts in SMSAs, with separate administrative units for elementary and secondary school levels. This helps to account, for example, for the multiplicity of local governments in such metropolitan areas as Chicago, Illinois, which contained 327 school districts in 1972, as well as 845 local governments of other types.

These local school districts are the greatest consumers of local revenues (except in Hawaii, where full state support is in effect). The share of the local property tax dollar claimed by education has grown on the average from about one-third in 1942 to about one-half by the early 1970s, leaving cities, counties, and towns an ever smaller share to use for other local services.

The problem promises to continue in the future, if in a somewhat different guise. The growth in the number of children will probably continue to slow down, as it has in recent years. Using the Census low-fertility assumption, the school age population (five to 24 years of age) will be 10-million less by the year 1990 than in 1970. It can only be conjectured whether having fewer children per family will result in proportionately lower

Figure III

PUBLIC SCHOOL SYSTEMS IN STANDARD METROPOLITAN STATISTICAL AREAS, BY ENROLLMENT SIZE, 1972



SOURCE: U.S. Bureau of the Census, *1972 Census of Governments*, Vol. I, p. 20.

education expenditures than formerly or in a higher level of expenditure per child to improve the quality of education. And will a relative reduction in enrollment in elementary and secondary education be offset by an increasing demand for education by other age groups in the community?[15] Still, educational costs will remain high and the burden on local treasuries will remain heavy.

Because the quality of education provided in a given community has a high "spillover" benefit – far greater than that of any other local service – to residents of other communities and other states, and because property taxes have grown to the point where the burden in many areas is well nigh unbearable (particularly for low-income property owners), ACIR recommends that statewide taxes of a type more responsive to economic growth, such as sales and income taxes, and less regressive in impact, should provide the major support for education. This trend has begun. In 1974, for the first time, state and Federal funds amounted to more than half of the money spent on local schools. If the trend continues, the local property tax could be used increasingly for the more clearly local services, such as police and fire protection, and garbage removal. And once liberated by state funding from the basic financing necessities, school boards and superintendents would be in a better position to concentrate their efforts on the nature and quality of the education that is provided for the children of their locality.

The first problem to tackle, thus, is that of securing a significantly increased state role in financing education.

But there is more to it than that. Because of differences in such things as teachers' salaries and other costs, the home and family backgrounds of the students, and the relative wealth of school districts, a wide disparity in the quality of schools exists among districts. Big city schools are further handicapped in the financing of education by the "municipal overburden" with which the local governments there are afflicted. In a major city, the cost of non-educational services may eat up as much as two-thirds of all local tax revenues, leaving only the remainder for education, whereas in many suburban areas, where the overburden is lighter, a far greater proportion of local property tax revenues can be put to educational uses. Because of the differences in overburden, a small suburban school district and a large central city district may have the same amount of taxable property value behind each student, but the city district would not be able to spend nearly as much per pupil for education. Yet, the very central city districts where municipal overburden is the greatest have the largest concentration of disadvantaged children who are the most expensive to educate.

Traditional financing arrangements have not acted fairly and effectively to remove this disparity. Educational expenditures in the 72 largest SMSAs in 1970 showed that per capita local school spending in the central cities was about two-thirds as much as in the suburbs (see *Table VI*).

Some of this disparity can be traced to the necessary high level of new school construction in the suburbs required by population increase there and by the larger proportion of children of school age to the total population in those areas. But even when these factors are eliminated and comparisons are made only of public school expenditures per pupil, the suburban average remains significantly higher than that of central cities, as already noted earlier in this report.

The second problem to tackle, then, is that of creating a financial environment conducive to attainment of equality of educational opportunity in the United States. As mentioned earlier, the courts have begun to address this issue.

ACIR has made a number of specific recommendations to provide answers to the two problems of educational financing. Although aimed broadly at a single set of consistent objectives, they reflect ACIR's awareness that one or another of the various alternative approaches may be especially applicable to conditions in a particular state. But the several proposals, as adopted at various times, also reflect increasingly urgent concern for the persistent inequalities of educational opportunity and resources which show up most strikingly in metropolitan areas. The Commission has recommended both early action to improve existing fiscal arrangements – authorization of regional or county taxing districts to provide most of the local financing for metropolitan area schools – and more far reaching steps toward fundamental change in school financing – overhaul of state school aid formulas to equalize educational and municipal overburdens more effectively and state involvement to assume substantially all responsibility for financing the public schools. These two types of action are described below.

Regional Taxing Districts

In some states, as noted, public schools are already administered by countywide systems. However, the typical metropolitan area has more than a dozen school systems per county, differing widely in their financial capacity and, thus, in tax rates they must impose for an acceptable educational program. While well designed

Table VI

Local School Expenditures as a Percent of Total Expenditures, 72 Largest SMSAs, 1970

Region and SMSA	CC	OCC	CC/OCC Ratio
Northeast	33	56	59
Hartford, Conn.	41	54	76
Wilmington, Del.	40	73	55
Washington, D.C.	21	56	33
Baltimore, Md.	34	59	58
Boston, Mass.	26	53	49
Springfield, Mass.	39	54	72
Jersey City, N.J.	28	30	93
Newark, N.J.	28	44	64
Paterson-Clifton-Passaic, N.J.	34	52	65
Albany-Schenectady-Troy, N.Y.	32	57	56
Buffalo, N.Y.	34	49	69
New York City, N.Y.	20	50	40
Rochester, N.Y.	31	58	53
Syracuse, N.Y.	26	54	48
Allentown-Bethelem-Easton, Pa.	43	65	66
Harrisburg, Pa.	49	75	65
Philadelphia, Pa.	35	61	57
Pittsburgh, Pa.	34	56	61
Providence, R.I.	35	55	64
Midwest	36	57	63
Chicago, Ill.	30	56	54
Gary-Hammond-East Chicago, Ind.	55	59	93
Indianapolis, Ind.	41	64	64
Wichita, Kans.	35	60	58
Detroit, Mich.	37	52	71
Flint, Mich.	35	53	66
Grand Rapids, Mich.	42	51	82
Minneapolis-St. Paul, Minn.	29	55	53
Kansas City, Mo.	33	54	61
St. Louis, Mo.	30	63	48
Omaha, Neb.	40	70	57
Akron, Ohio	36	60	60
Cincinnati, Ohio	23	50	46
Cleveland, Ohio	39	58	67
Columbus, Ohio	33	61	54
Dayton, Ohio	38	59	64
Toledo, Ohio	34	51	67
Youngstown-Warren, Ohio	40	61	66
Milwaukee, Wisc.	29	54	54
South	38	61	52
Birmingham, Ala.	33	63	48
Mobile, Ala.	33	56	59
Jacksonville, Fla.	44	0	0

Table VI (continued)

Region and SMSA	**CC**	**OCC**	**CC/OCC Ratio**
Miami, Fla.	37	46	80
Tampa-St. Petersburg, Fla.	42	49	86
Atlanta, Ga.	39	59	66
Louisville, Ky.	23	70	33
New Orleans, La.	36	38	95
Greensboro-Winston Salem-High Point, N.C.	33	66	50
Oklahoma City, Okla.	40	59	68
Tulsa, Okla.	48	60	80
Knoxville, Tenn.	36	68	53
Memphis, Tenn.	36	78	47
Nashville-Davidson, Tenn.	44	66	67
Dallas, Texas	39	55	71
Forth Worth, Texas	45	56	80
Houston, Texas	45	59	76
San Antonio, Texas	43	77	56
Norfolk-Portsmouth, Va.	35	58	60
Richmond, Va.	31	69	45
West	37	48	77
Phoenix, Ariz.	43	51	84
Anaheim-Santa Ana-Garden Grove, Cal.	41	50	82
Fresno, Cal.	30	41	73
Los Angeles-Long Beach, Cal.	28	32	88
Sacramento, Cal.	24	41	59
San Bernadino-Riverside-Orange, Cal.	37	39	95
San Diego, Cal.	33	44	75
San Francisco-Oakland, Cal.	23	39	59
San Jose, Cal.	40	42	95
Denver, Colo.	34	61	56
Honolulu, Hawaii	0	0	0
Portland, Ore.	39	64	61
Salt Lake City, Utah	44	73	60
Seattle-Everett, Wash.	29	46	63
Total (Unweighted Average)	38	48	64
(Weighted Average)	29	51	57

SOURCE: ACIR, *City Financial Emergencies: The Intergovernmental Dimension* (A-42), (Washington, D.C.: U.S. Government Printing Office, 1973), pp. 135-136.

equalization grants from states offer one way to overcome the resulting disparities, reorganization of school administering units into considerably larger and less fiscally divergent areas may represent a feasible alternative in many cases.

Specifically, the Commission has suggested state legislation to help deal with the problem of fiscal disparities in metropolitan areas by:

> . . . authorizing an appropriate state agency to mandate the establishment of county or regional school property taxing districts . . .

> where school financing has not already been placed on a countywide or regional basis.[16]

Something of a precedent for such action exists in several states which provide for countywide taxes to be imposed for school purposes, allocable to individual districts on a formula basis. Generally, however, these supply only a small part of all local education financing, and the allocations are usually made on a crude per-pupil basis that includes no allowance for special need factors. The Commission's proposal looks toward a more basic adjustment, whereby the bulk of any local taxation for school purposes would be provided on a regional or countywide basis, even though actual school administration would continue to be handled by smaller units.[17]

Equalizing Educational Opportunities and Municipal Overburden

Turning to broader changes in the state school aid system, the Commission has made additional recommendations. State fiscal aid for public schools can be broadly characterized as providing either "flat grants" or "equalizing" aid. Flat grants deal with school districts uniformly across the board, without regard to the fiscal capacity of the aided school system – *e.g.*, providing a certain amount per pupil, or a certain proportion of particular costs. "Equalizing" grants, on the other hand, may be of various types, but commonly they involve a payment that makes up the difference between the yield of some specified rate of local property tax and a state specified measure of local need, such as a certain number of dollars per pupil, per teacher, or per "classroom unit."

During the several decades that such equalizing grants have evolved, they have gradually been expanded and refined. This process has especially involved the upward adjustment of the "foundation support" levels to be guaranteed (the amounts per pupil, teacher, or classroom), and improvement of the "local effort" part of the formula. For example, many earlier provisions that measured effort in terms of the tax applied to assessed valuations have been changed to take account of assessment differences.

But these improvements have been far from universal. In many states, the "guaranteed" foundation level of support is considerably below that needed to insure an adequate school program even under average circumstances. And above all, relatively few states have built into their major grants any significant allowance for the additional costs – the educational overburden – that should be met if something approaching real equality of educational opportunity is to be provided for disadvantaged children – those for whom the schools need to provide enriched offerings to compensate at least partially for serious inadequacies in background and home environment. In the absence of provisions in state aid formulas for such additional requirements, there is either a public failure to approach effective equalization of educational opportunity or the costs involved fall especially hard upon central cities and other communities that already have an undue municipal overburden.

Several Commission recommendations have dealt with these conditions by urging:

> . . . that each state make a critical review of its present school grant formula to insure that it provides for an educational level below which no community should fall and that it contains factors designed to measure as accurately as possible local tax effort and diverse educational requirements (*e.g.*, taking into account higher per pupil costs in slum areas), and to reflect such measurements in the allocation of aid funds.[18]

> . . . that states add to their school aid formulas appropriate factors reflecting higher costs per pupil among disadvantaged as compared to advantaged children . . . [and that Congress amend] the *Elementary and Secondary Education Act of 1965* to authorize the utilization of otherwise available Federal funds for incentive grants to states that make such revisions to their school aid formulas.[19]

> . . . that states that have not assumed substantially full responsibility for financing education . . . construct and fund a school equalization program so as to extend additional financial assistance to those school districts handicapped in raising sufficient property tax revenue due to the extraordinary revenue demands made on the local tax base by city and county jurisdictions.[20]

The *Elementary and Secondary Education Act of 1965* (ESEA) marked recognition by the Federal government of the special educational needs and costs associated with disadvantaged children. Under Title I of the act, more than $1-billion has been made available annually, to be allocated through the states for public school use in areas having a high concentration of low-income families. Availability of these funds has undoubtedly helped to offset a part of the great disparity of public school spending between central cities and suburbia. But far larger amounts would be needed to equalize expenditure levels among these areas, not to mention supplying extra levels of central city support for the costs of "compensatory education" for deprived children. Hence the pressing need for restructuring state aid provisions.

Before the passage of ESEA, the Office of Education could identify only three states – California, New York, and Massachusetts – that were making any investment in compensatory education for socially deprived children. By now a good many other states have followed suit. In most instances, however, their programs have only been supplementary, not built directly into the states' principal school aid formulas. Moreover, the amounts involved have not represented a large proportion of all state grants to public schools. Thus, considerably more widespread and significant state action is needed to accomplish the basic restructuring of state aid provisions which the Commission has urged.[21]

State Assumption of Responsibility for Substantially All School Financing

In light of an exhaustive study of state aid to local government, the Commission concluded that in the long run substantially all the non-Federal financing of elementary and secondary education should be shifted from the local property tax to the superior tax resources of the state governments.

Local school taxes have played an important role in the widespread rise in local property taxation. The share of local property tax revenue going to education has hovered around one-half in recent years (see *Table VII*).

Table VII

Contributions to Local Education Expense by Level of Government, 1957 - 1974

	Percent of School Revenue Derived From:		
School Year	Federal Sources	State Sources	Local and Other Sources
1957-58	4.0%	39.4%	56.6%
1958-59	3.6	39.5	56.9
1959-60	4.4	39.1	56.5
1960-61	3.8	39.8	56.4
1961-62	4.3	38.7	56.9
1962-63	3.6	39.3	57.1
1963-64	4.4	39.3	56.4
1964-65	3.8	39.7	56.5
1965-66	7.9	39.1	53.0
1966-67	7.9	39.1	53.0
1967-68	8.8	38.5	52.7
1968-69	7.4	40.0	52.6
1969-70	8.0	39.9	52.1
1970-71	8.4	39.4	52.1
1971-72	8.9	38.3	52.8
1972-73	7.9	40.6	51.5
1973-74	8.2	42.6	49.2
1974-75	7.8	43.6	48.6

SOURCE: National Education Association, Research Division, "Estimates of School Statistics," various issues. Copyright by the National Education Association, all rights reserved.

By taking over most of the financing of elementary and secondary education, the states would be able to take direct action to deploy school funds in accordance with needs. The support of local educational programs would no longer depend on the accidents of local property tax geography. The bleeding off of taxable resources from the declining city to the increasingly affluent suburb would no longer be relevant to their educational programs. The opportunity for a high quality education would be available to all residents of the state in substantially equal measure – regardless of the locality in which they happened to live.

Thus, in taking a close look at education and welfare financing in 1969, the Commission took a major step toward the objective of restoring fiscal balance in the federal system by proposing a shift of substantially all financial responsibility for education from local government to state government, stating:

> In order to create a financial environment more conducive to attainment of equality of educational opportunity and to remove the massive and growing pressure of the school tax on owners of local property, the Commission recommends that each state adopt as a basic objective of its long-range state-local fiscal policy the assumption by the state of substantially all fiscal responsibility for financing local schools with opportunity for financial enrichment at the local level and assurance of retention of appropriate local policy-making authority.[22]

A number of states – New Mexico, North Carolina, Delaware, and Louisiana among them – are within striking distance of this goal. Hawaii has assumed complete responsibility for both the financing and operation of schools. Thus, a recommendation for state assumption of complete responsibility for financing education is not utopian or academic; it deals with a process beginning in the "here and now."

The Commission emphasizes that the long-range goal of substantial state financing need not be a wrenching experience, and that while budgetary considerations may well dictate gradual rather than immediate substitution of state income and sales tax dollars for local property tax receipts, there is evidence to suggest that perhaps many states could assume complete responsibility for public school financing immediately if they were willing to make intensive use of personal income and sales taxes.

While calling for state assumption of "substantially all" responsibility for school financing, the Commission assumes that there would be a limited opportunity for local enrichment of the educational program. However, failure to circumscribe the amount of local enrichment – by limiting it to 10 percent of the state grant, for example – would undermine the Commission's two-fold objective of (1) creating a fiscal environment – one conducive to equal educational opportunity while (2) relieving the property tax base of most of the school finance burden.[23]

In its most recent study of this topic, *Financing Schools and Property Tax Relief*,[24] the Commission concluded that it is not necessary to extend Federal aid for general property tax relief or intrastate school finance equalization. The question arose as to whether it was desirable or necessary to impose a Federal value-added tax (VAT) to provide revenue for property tax relief and to ameliorate fiscal disparities among intrastate school districts. The Commission concluded that the introduction of a major new source of Federal tax revenue was not warranted for those purposes. Instead, it reaffirmed its position that the states can and should be held accountable for property tax reform and reduction of school financial disparities. Moreover, it concluded that the states indeed had the untapped capacity to put their own school finance houses in order.

In the 1970s, the states have begun to respond to this challenge. By 1975, about two-fifths of the states had begun to increase state funding and move away from over-reliance on the local property tax for school purposes. The states substantially increasing their share of aid to schools in 1974 included Arizona, New Mexico, Ohio, Pennsylvania, and Virginia.

The Minnesota Example

Minnesota has taken what is probably the most complete action to move away from reliance on the local property tax for schools as well as for other local purposes. In 1971, the legislature enacted a law increasing its own tax levying responsibility, limiting this function among school districts and other local governments, and committing the state to return more revenues than ever before to local jurisdictions. The job of setting the aggregate level of taxation and the relative mix of different taxes now rests chiefly with the state legislature and not, as in the past, on the uncoordinated actions of diverse state and local policymakers.

Under the new arrangement, schools will receive an average of 65 percent of their total operating budgets from the state, the funds to be distributed by an equalization formula. The legislature also provided for a substantial infusion of state non-property revenues to cities, counties, and other non-school units of local government.

The state placed spending ceilings on the local government units receiving increased aid, limiting permissible budget increases to 6 percent a year. Amounts spent beyond the set limits result in a percentage reduction in state per capita aid. By combining the state's increased commitment to schools, cities, and counties with local spending restrictions, the legislature sought to achieve property tax cuts averaging 15-20 percent for each property owner.

To finance this reordering of fiscal responsibility, the Minnesota lawmakers substantially changed the tax system, and increased state revenues initially by 23 percent (see *Figure IV*). This increase came primarily from personal and corporate income taxes, the sales tax, and cigarette, beer, and alcoholic beverage taxes.

In changing its fiscal policy toward local government, the 1971 Minnesota legislature also:

- prohibited the levy of further sales or income taxes by any local government, reserving that power to the legislature;
- placed a limited pledge of the state's full faith and credit behind general obligation bonds of local units of government;
- adopted a plan to share 40 percent of the future growth in the commercial and industrial property tax base of the seven county Twin Cities area among all units of government in the area;
- shifted part of the financing of county highways from the property tax to a wheelage tax, accompanied by authority for the Metropolitan Transit Commission to levy a limited property tax;
- upgraded the local government fiscal information system under the Commissioner of Taxation, working with a new intergovernmental information services advisory council;
- improved the qualification process for assessors; and
- revised the state's system of property tax classification.

Alternatives to Full State Funding

The approach of full state funding, in which the state receives and disburses all educational funds, has been taken only in Hawaii. It was easy there because the state was made to consitute a single school district. The Fleischmann Commission (the New York State Commission on School Finance) appointed by former Governor Rockefeller recommended the same for New York, but the recommendation was not adopted. A variation on full state funding might permit local districts to supplement from local tax resources the state grant not to exceed a set percentage of the state grant – say 10 percent – as recommended by the President's Commission on School Finance (the McElroy Commission). But, still, full state funding of education appears far away in many states.

A more feasible approach to meeting the same objectives might be district equalization. Under this plan, the state would mandate that local districts tax themselves for school support and would guarantee that for the mandated local tax rate, the district would receive a given amount of money per student, regardless of the appraised property valuations. In essence, under this approach the state would pay any short-fall in local revenue to poor districts so that they would have the same amount of money to spend per pupil as rich districts. Richer districts, if they raised more than the specified amount of money at a given tax rate, might or might not be required to pay the excess funds to the state for redistribution to poorer districts under what is called a "recapture" provision.

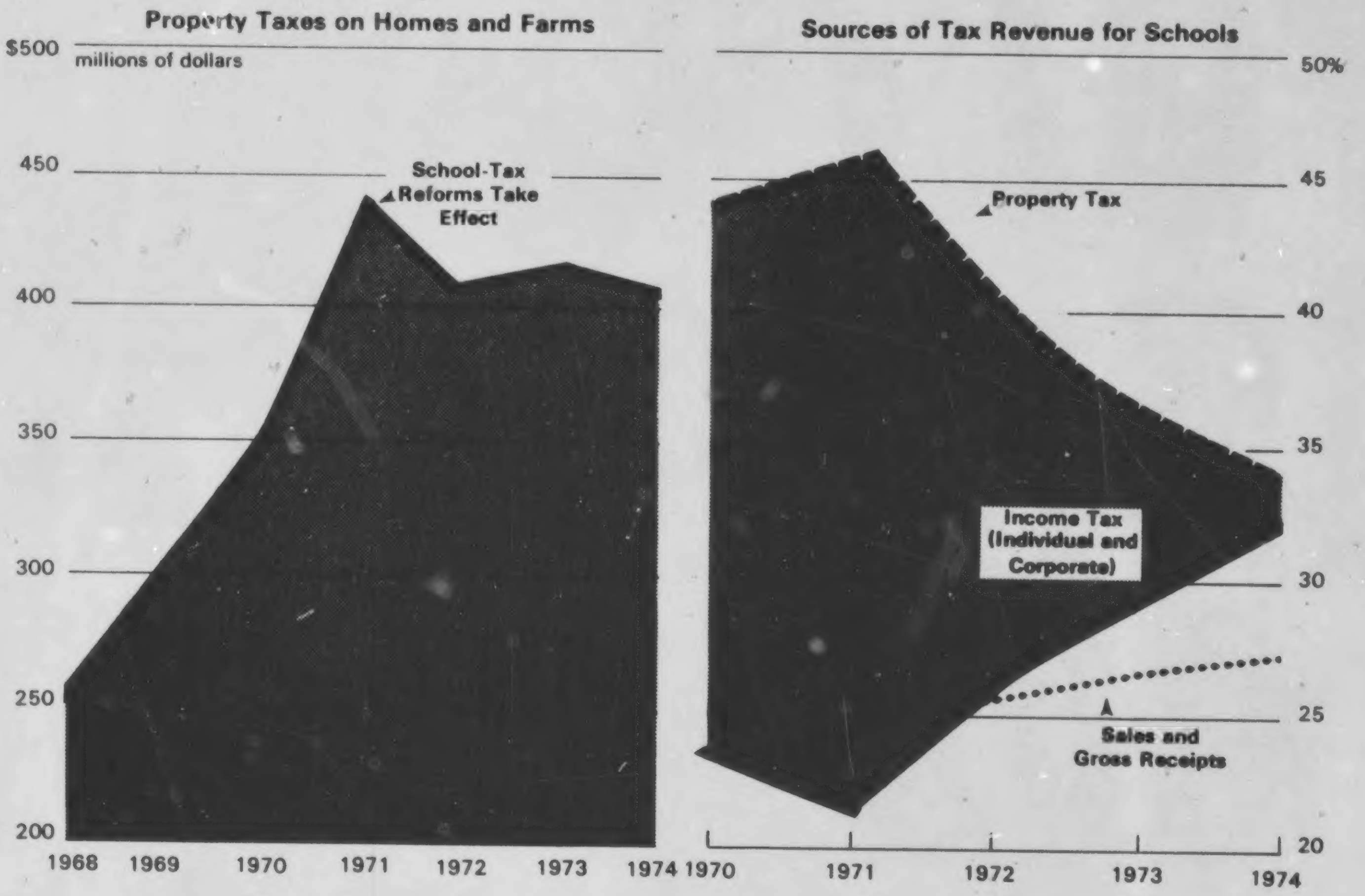
Maine and Wisconsin, for example, adopted such a plan with a recapture provision; Florida, North Dakota, and Utah did so without the recapture provision. Illinois adopted an equalization law which requires the richer school districts to reduce their tax levies to meet the state standard, a reversal of the recapture concept. Reforms of varying scope have also been enacted in Arizona, Kansas, Colorado, Montana, Michigan, New Mexico, Ohio, Pennsylvania, and Virginia; and other states are expected to tackle the problem in the near future.

Cross Currents in Educational Finance

However, despite the progress noted above, school finance reform has not always encountered smooth passage. Robert Reinhold pointed out in *The New York Times*, February 5, 1975, in a summary of progress toward school finance reform across the nation, the wave of remedial legislation is "[r]iddled with loopholes . . . bewildering in [its] complexity and variety, and leave[s] much to be done before full equity is achieved."[25] Moreover, increased state aid to schools has recently been rejected by voters in Nebraska, Oregon, Wyoming, and Washington, while voters in Colorado and Michigan refused to adopt constitutional amendments prohibiting the use of the local property tax for school support. Voters in affluent suburbs in Minneapolis defeated proposals to raise property taxes above the state's newly mandated levels.

Figure IV

MINNESOTA'S SCHOOL-TAX REFORMS



SOURCE: *Minnesota State Revenue Dept.*

The New York Times/January 15, 1975

Judicial Intervention

As noted previously, the judiciary increasingly has confronted the issue of equalization of school support in recent years. Many cases are still under appeal, however, and the results of litigation have yet to be fully felt. When they are, the realization of the Commission's objectives may be much nearer to reality.

In 1971, the California Supreme Court ruled that state's school financing system unconstitutional. In *Serrano v. Priest* the court held, in effect, that reliance on local property taxes produced unequal opportunities and thus was in violation of the equal protection clause of the Fourteenth Amendment to the U.S. Constitution. Reviewing the school finance system, the court found that in fiscal year 1968-69, 55.5 percent of educational revenue in California came from the local property tax, 35.5 percent from state aid, and 8.1 percent from Federal funds. The amount of local funds available depended on the appraised property values in each local school district, and these values varied across the state. Under that system Beverly Hills could produce $1,500 for the education of each of its children with taxes of $2.60 per $100 of assessed valuation, while less affluent West Covina could produce only $700 per pupil with a 65 percent higher tax rate. Nor did the state's plan of state aid, with which it tried to ensure that each district would receive a minimum amount of money per pupil, regardless of its property values, remove the disparities.

The *Serrano* decision led almost immediately to the filing of similar suits in other states, and subsequent decisions in Minnesota, Texas, New Jersey, Kansas, and Michigan have invalidated the school finance systems in those states. The Texas case, *Rodriguez v. San Antonio Independent School District*, was appealed to the U.S. Supreme Court, where in 1973 it was reversed.

The *Rodriguez* decision for the majority (it was decided by a 5-4 vote) written by Justice Powell, held that, while the Texas financing system did indeed leave local school districts dependent on widely disparate property tax bases, it did not create a discriminatory wealth classification, inasmuch as it was based on district wealth and not on personal wealth, as was the California system. It went on to say that the effect of district disparities in any case did not cause an absolute deprivation of education but only a diminution in the quality of education to some uncertain degree. And since education is not a fundamental constitutional interest of American citizens, no right to education being explicitly or implicitly guaranteed by the Constitution, relief was not available for the Supreme Court. Instead, the Court majority accepted Texas' contention that the objective of the classification was to preserve some amount of local control over school financing and that there was a rational relationship between the system and the objective.

Even though *Rodriguez* gave the restructuring movement a major setback, it demonstrated that the school financing system existing in most states is inequitable and chaotic. The effect of the Court's ruling, in the Commission's view, is to place an even stronger charge on the states to initiate corrective efforts. Since the decision was decided by a bare majority and similar cases are pending, the possibility of further Federal court action cannot be ruled out. "We hardly need add," the Court noted, "that this Court's action today is not to be viewed as placing its judicial imprimatur on the *status quo*. The need is apparent for reform in tax systems which may well have relied too long and too heavily on the local property tax."

In December 1974, the issue was further complicated by directly opposite state court decisions on school finance. Washington's system of relying on property taxes and special levies for school funding was upheld by the supreme court of that state in a split decision. The majority decision said that the validity of a statewide uniform system of schools is unaffected by variations in district size or tax base or by a partial reliance on local funding.

On the other hand, Connecticut's system of school financing was ruled in violation of that state's constitution by a superior court judge. The judge held that the state system of distributing funds to towns according to pupil population did nothing to correct inequities stemming from disparities in the wealth of communities. An appeal has been filed.

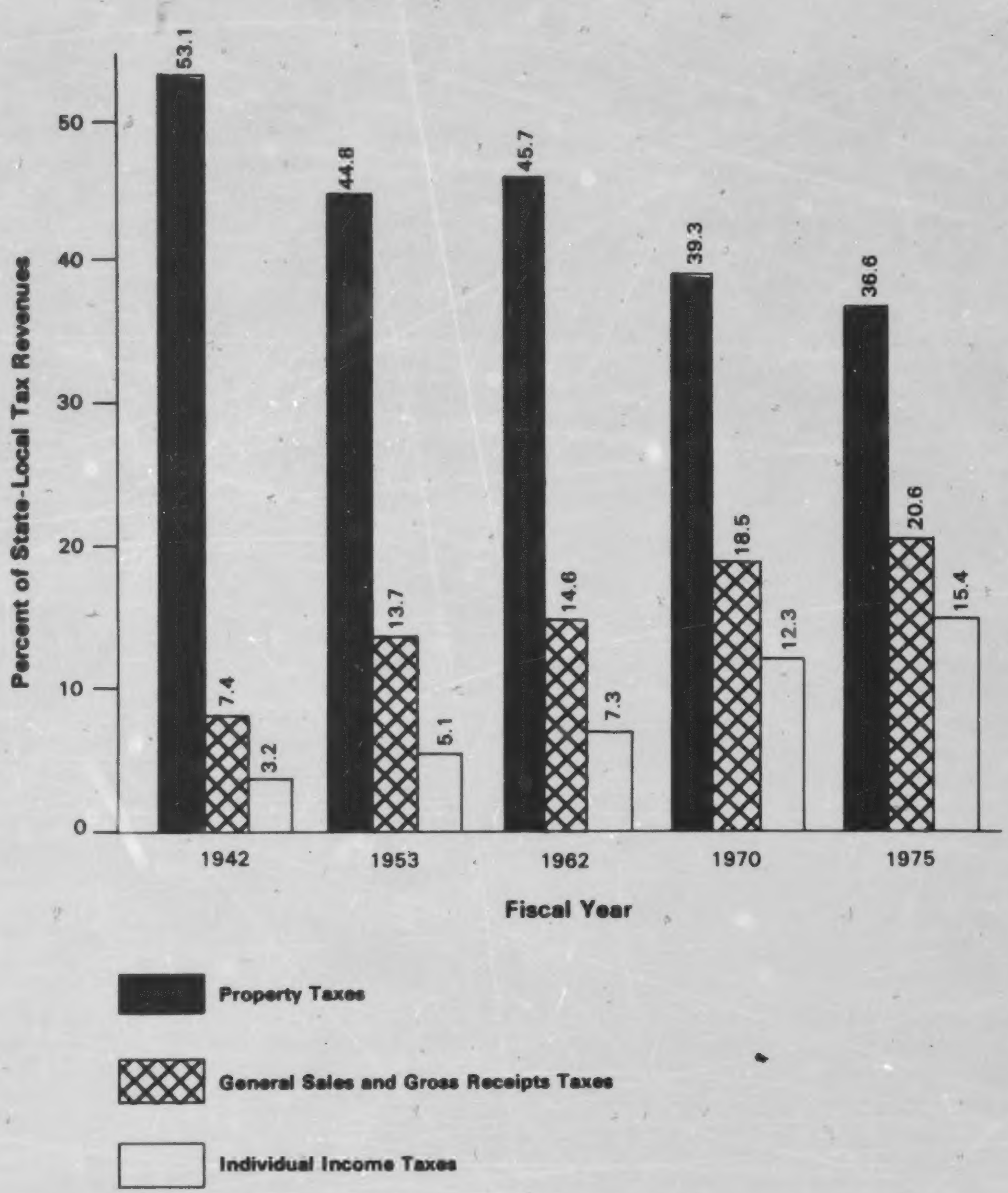
"Even where reform has been politically feasible," Robert Reinhold found, "there have been problems."

> It is not clear, for example, that "fiscal neutrality" will consistently help poor children. Often, poor families live in industrial areas that are tax-rich by virtue of the commercial property [there,] and any equalization that does not recognize this may mean less, not more, for districts with disadvantaged pupils. Studies in California show that most black families in that state live in towns with above average property wealth.

Moreover, evidence has not been brought forth to prove that the goal of equal education opportunity, however

Figure V

PROPORTIONS OF TOTAL STATE-LOCAL TAX REVENUE CONTRIBUTED BY THE THREE MAJOR SOURCES, SELECTED YEARS 1942-1975



SOURCE: ACIR staff compilation based on U.S. Bureau of the Census data.

defined, "can be achieved simply through equal educational dollars."[26]

In any effective revenue distribution system, there must be definitely established priorities and a reliable means of assessing the results gained for the money expended. Up to now, government at all levels in the United States has failed both in the settings of priorities and in the evaluation of results.

And however much a state or locality may agree with the philosophy behind tax reform, many find it painful, if not impossible, to do anything about it in a time of steep inflation and declining enrollments. "Observers of the school funding trend doubt that much more reform will occur as long as the economy is in a slump."[27]

DEVELOPING AN EFFECTIVE AND EQUITABLE STATE AND LOCAL REVENUE SYSTEM

If all of ACIR's recommendations for broadening the geographic base to support education and welfare and for a more balanced Federal grant system as explained in later sections were accomplished, additional actions would still be needed. For, under the American federal system, the provision of other domestic services would still rely heavily on the revenue resources of the states and their localities.

State governments need to broaden their tax base by strengthening income taxes where they have them, and by adopting such taxes where they have not yet done so. Of course, states should continue to rely on the general sales tax and various excise taxes as well. Were they to assume full financing of education, they would have considerably expanded revenue needs, which they could meet by tapping the freed-up taxpayer capacity made available as local governments turn over support of the schools to the state. Presumably, state income and sales tax revenues would replace local property tax dollars to a significant extent. In other words, the taxable capacity is there, though extensive changes in state tax programs would be required for the states to recapture the freed-up tax capacity.

Local governments, which derive about five-sixths of their tax revenue from property taxes, need help in reforming that workhorse. In addition, they need more adequate and effective help from the states in other tax areas. The Advisory Commission on Intergovernmental Relations has addressed itself to these problems on a number of occasions, and has recommended ways and means of correcting the fiscal imbalance.

As *Figures V, [illegible]I*, and *Table VIII* show, there has been a trend in state and local government toward broadening their tax bases in recent years, but the property tax still dominates.

Securing the Balanced State and Local Use of Income and Sales Taxes

ACIR considers a high quality, high yield state-local tax system to rest on a progressive personal income tax, a strong state general sales tax, and an effective, fairly administered local property tax.

In its 1965 report, *Federal-State Coordination of Personal Income Taxes*,[28] the Commission recognized the need for more intensive state use of the personal income tax. It recommended that "states without the personal income tax give early a[illegible]ful consideration to incorporating it into their tax [illegible]n and that those presently employing a relative[illegible] ineffective tax strengthen it." The report also included various recommendations designed to foster taxpayer convenience and administrative ease – including closer conformity of state income tax provisions with those of the *Internal Revenue Code* and increased Federal-state cooperation in income tax administration.

The Commission observed that nearly all the states with a personal income tax in 1965 had established one before World War II, and that the most important and widespread expansion of state revenue systems in the post-war years had involved the general sales tax. For a good many years, many states relied on one or the other as their chief revenue source. But increased public expenditure requirements and demands for local property tax relief obliged more and more states to use both a general sales tax and a personal income tax.

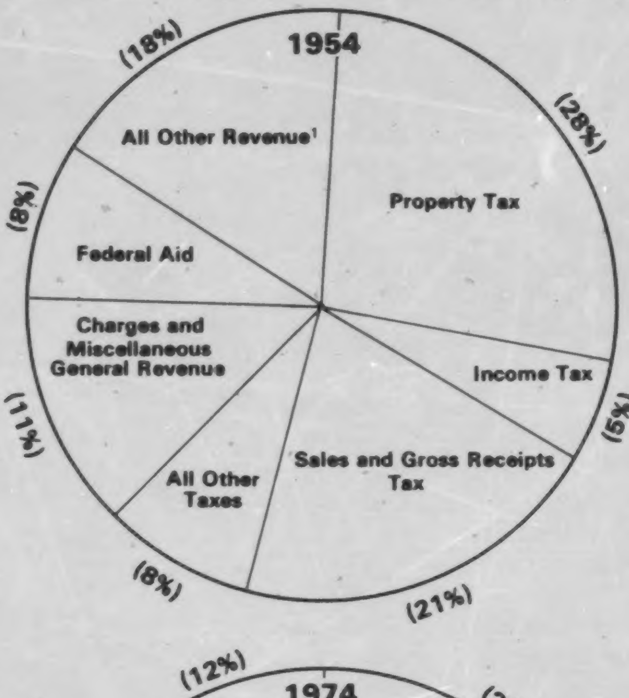
In 1960, 31 states had a personal income tax, 35 had a sales tax, 19 had both, and four had neither. By 1975, all but ten states (Connecticut, Florida, Nevada, New Hampshire, New Jersey, South Dakota, Tennessee, Texas, Washington, and Wyoming)[29] had a broad-based personal income tax, and only five states (Alaska, Delaware, Montana, New Hampshire, and Oregon) were without a general state sales tax. Every state except New Hampshire had at least one of these two major taxes.

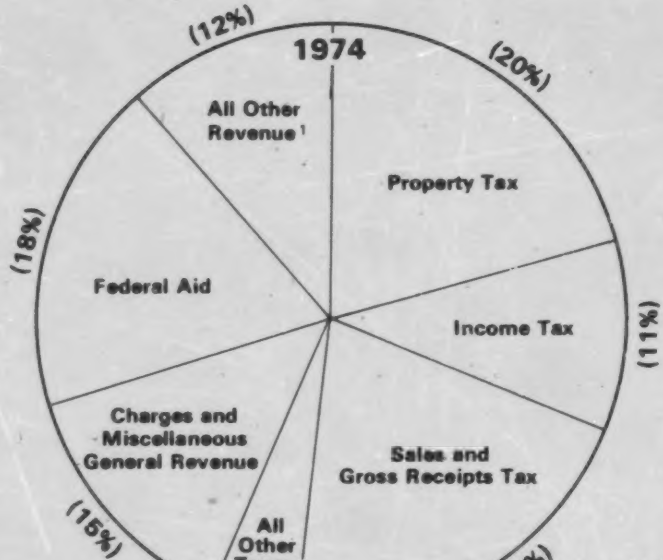
Many states still make anemic use of the personal income tax. Only a handful of states collect from their residents as much as one quarter of the amount collected by the Federal government.

Unless a state makes significant use of personal income taxation, its revenue system will be seriously skewed against low- and moderate-income people. Moreover, the state may not be able to shoulder an appropriate part of the overall state-local fiscal financing burden.

Figure VI

THE STATE AND LOCAL REVENUE SYSTEM BECOMES MORE DIVERSIFIED WITH THE RELATIVE DECLINE IN PROPERTY TAXES AND RELATIVE INCREASE IN STATE INCOME TAXES AND FEDERAL AID, FISCAL YEARS 1954 AND 1974





SOURCE: Table VIII

[1] Includes utility, liquor store, and insurance trust revenue.

Table VIII

The State and Local Revenue System Becomes More Diversified with Relative Decline in Property Taxes and Relative Increase in State Income Taxes and Federal Aid, 1954, 1964, and 1969 through 1974

		General Revenue							
				Tax Revenue					
Fiscal Year	Total State-Local Revenue	Total	Federal Aid	Total[1]	Property	Sales and Gross Receipts	Income	Charges and Miscellaneous General Revenue	Utility, Liquor Store, and Insurance Trust Revenue
				Amount (in billions)					
1954	$ 35.4	$ 29.0	$ 3.0	$ 22.1	$10.0	$ 7.3	$ 1.9	$ 4.0	$ 6.4
1964	81.5	68.4	10.0	47.8	21.2	15.8	5.5	10.7	13.0
1969	132.2	114.5	19.2	76.7	30.7	26.5	12.1	18.7	17.6
1970	150.1	130.8	21.9	86.8	34.1	30.3	14.6	22.1	19.4
1971	166.1	144.9	26.1	95.0	37.9	33.2	15.3	23.8	21.2
1972	189.7	166.4	31.3	108.8	42.1	37.5	19.7	26.3	23.4
1973	217.6	190.2	39.3	121.1	45.3	42.0	23.4	29.8	27.4
1974[4]	237.9	207.7	41.8	130.7	47.8	46.1	25.5[2]	35.2	30.2
				Annual Percent Change					
1954	–	–	–	–	–	–	–	–	–
1964	8.7[3]	9.0[3]	12.8[3]	8.0[3]	7.8[3]	8.0[3]	11.2[3]	10.3[3]	7.3[3]
1969	10.2[4]	10.9[4]	13.9[4]	9.9[4]	7.7[4]	10.9[4]	17.1[4]	11.8[4]	6.2[4]
1970	13.5	14.2	14.1	13.2	11.1	14.3	20.7	18.2	10.2
1971	10.7	10.8	19.2	9.4	11.1	9.6	4.8	7.7	9.3
1972	14.2	14.8	19.9	14.5	11.1	13.0	28.8	10.5	10.4
1973	14.7	14.3	25.6	11.3	7.6	12.0	18.8	13.3	17.1
1974	9.3	9.2	6.4	7.9	5.5	9.8	9.0	18.1	10.2
				Percentage Distribution					
1954	100.0	81.9	8.5	62.4	28.2	20.6	5.4	11.3	18.1
1964	100.0	83.9	12.3	58.7	26.0	19.4	6.7	13.1	16.0
1974	100.0	87.3	17.6	54.9	20.1	19.4	10.7[2]	14.8	12.7

[1] Including amounts for categories not shown separately.

[2] Receipts from individual income taxes in 1974 were $19.5-billion (8.2 percent of total revenue).

[3] Annual average increase 1954 to 1964.

[4] Annual average increase 1964 to 1969.

SOURCE: ACIR staff compilation based on U.S. Bureau of the Census, Governmental Finances, various years.

Effective and equitable use of the state personal income tax is marked by three features:

1) to insure tax fairness, personal exemptions that are at least as generous as the Federal exemptions;
2) to promote taxpayer convenience and administrative simplicity, tax definitions that conform closely to the Federal definitions; and
3) to achieve productivity, state personal income tax collections equal to at least 20 percent of the Federal personal income tax collections.

A general sales tax is particularly burdensome for low-income people because they spend a much larger fraction of their income for taxable purchases than do better-off consumers. This is especially true if the tax is limited to the sale of commodities and does not include services, which take a larger part of consumer expenditures at higher income levels. To deal with this problem, the Commission favors use of a broad-based general sales tax that covers most personal services as well as retail sales of tangible items, but with special treatment for certain "necessities of life" – *i.e.*, either through the exemption of food and drug sales or preferably by income tax credits and cash refunds that offset the sales tax on basic consumption items.

Local Sales and Income Taxes

If the states have strengthened their own tax systems by diversifying their tax sources, they have been slower to permit local governments to do so. The Commission recommended in its report *Local Revenue Diversification: Income, Sales Taxes and User Charges*[30] that states permit general purpose local governments to adopt either a local sales tax or an income tax, or both, in order to achieve a more balanced use of the basic state-local tax instruments – property, income, and sales taxes. Recognizing the pitfalls of an uncoordinated use of local sales and income taxes, the Commission recommended several essential safeguards. Three safeguards concern the administration and coverage of the local tax: (1) the local tax base should conform to that of the state if the state imposes the same levy; (2) state collection and administration of local sales and income taxes should be provided; and (3) coverage of the local levy should be widespread and for major units of local government.

To achieve wide coverage, the Commission recommends either (a) mandating a minimum local levy and permitting counties, and cities with populations of 25,000 or more, to choose a rate above the minimum, subject to a specified maximum, or (b) giving first option to adopt the tax to the local government of widest jurisdictional reach (the county) with sharing provisions for municipal governments. If the county does not adopt the tax under this second alternative, cities of 25,000 or more should be given authority to do so on their own.

The Commission looked at two other aspects of local income and sales taxation that necessitate safeguards. To ease taxpayer compliance problems, the Commission recommended the use of the origin (point of sale) rule for determining local sales tax liability; the prohibition of local use taxes for in-state purchases; and limits on the extent of permissible local flexibility in setting local tax rates. To minimize local fiscal disparities, the Commission recommended adoption of an equalizing formula to distribute local non-property tax revenues among constituent units within the local taxing authority, and arrangements for sharing taxes on earned income by non-residents between tax levying jurisdictions of residence and employment.

The Commission recognized the desire of local officials to reduce the dominant role of the locally administered property tax in making its recommendation, and was persuaded to alter its previous position on the basis of several recent developments:

- evidence that local taxpayers favor sales and income taxes over higher property taxes when confronted with the need to increase local revenue yields;
- the steady growth of local sales and income taxes;
- the greater responsiveness of local sales and income taxes to economic growth and inflation; and
- the recent experience of Virginia and Maryland in coordinating state and local sales and income tax operations.

The Commission also recommended that the states adopt a formula to distribute among local governments the local sales tax portion of any state sales taxes imposed on firms making sales in states where they maintain no place of business (if such taxes are authorized by Congress).

Finally, the Commission called for the states to authorize and encourage local governments to adjust fee and user charges annually to reflect changes in financial costs. It also recommended that states provide technical assistance and consultation to local governments on appropriate areas, methods, and scales of charges.

The widening awareness of potential inequity in financing local schools from the local property tax provided added impetus to the movement to rehabilitate this tax source. Even if education costs are ultimately shifted to the state, a precipitous and permanent decline in reliance on the property tax is not likely. If education costs are removed, needs accumulated by many general local governments while they competed with school districts for scarce resources will be moved from the category of desirable to feasible, and the property tax will be called on for support. Thus, the urgency to improve the property tax as a revenue instrument will continue for the foreseeable future.

Rehabilitating the Property Tax

That improvement must come chiefly from state action, because:

- The property tax is rooted in state constitutional and statutory provisions, which control its potential coverage and operation, and these cannot be changed by local government and officials acting alone.
- The extent of local reliance on the property tax is strongly influenced by the states' delegation to local governments of functional responsibilities and financing powers, and their grant-in-aid arrangements.
- Property tax valuations typically enter into state grant formulas, and (often excessively) into state controls over local taxing and borrowing powers.

While understandable in historical terms, the states' limited concern for the property tax makes little sense, in view of the close interdependence of local and state finances. Furthermore, while other sources have grown in relative importance, in most states the property tax still yields more than any other single state-local revenue source, and in nearly half the states it approaches or exceeds the yield of all other taxes combined.

In retrospect, the near disappearance of statewide property taxes which began in the 1920s is a mixed blessing, for the use of such statewide levies to provide additional aid to local governments would not only help to alleviate existing disparities in local fiscal capacity but would stimulate state interest in the quality of assessments and make more evident the states' rightful authority to regulate local property tax administration. Even without such a statewide levy, however, the Commission has emphasized that state financial planning should deal with the state-local revenue structure as a whole, including appropriate strong concern for the property tax as a major element.

In its 1962 report, *State Constitutional and Statutory Restrictions on Local Taxing Powers,*[31] the Commission concluded that state-imposed restrictions on the property taxing powers of counties and municipalities limit the ability of these units to meet emerging public needs. This in turn stimulates the creation of special districts, often for the primary purpose of circumventing the tax ceilings and gaining additional local taxing authority. Tax restrictions often have other bad effects, too. Sometimes they promote short-term financing to cover operating deficits, or long-term borrowing in lieu of pay-as-you-go financing. They may stimulate voluminous special state legislation, cripple the effectiveness of local budgeting, and interfere with sound assessment practices by shifting to assessors effective control over budgetary and tax decisions that should instead be made by local governing bodies.

The Commission concluded further that it is clearly unrealistic to assume that uniform restrictions can deal equitably on a statewide basis with existing variations in local needs and locally available tax resources. The inherited jungle of legal limitations has not prevented a very strong rise in local property tax revenue – it doubled between 1960 and 1970, and multiplied fivefold since World War II. In many states the prescribed limits do not directly constrain the majority of taxing jurisdictions. Furthermore, the most common form of limitation is a tax rate maximum; any resulting constraint can be circumvented by boosting the assessment level which is usually only a small fraction of the market value of taxable property. This widely used device reveals the crudity of the usual type of property tax limitation. And its use gives the assessor a policy-determining role with respect to local budgeting and taxation that should be reserved for the governing body.

State-imposed limitations upon local property tax rates are generally inimical to local self-government. At best they represent an undesirable substitute for effective budgeting and policy determination by popularly accountable governing bodies. Accordingly, the Commission recommended "the lifting of constitutional and statutory limitation on local powers to raise property tax revenues."[32] Yet, the proposed removal of long-established state restrictions, the Commission recognized, is not likely to occur promptly in all states. As a basis for interim action, therefore, it offered a set of guidelines for liberalizing existing legal limitations upon local property taxing powers:[33]

- Statutory limitations are preferable to constitutional limitations.
- Tax rate limitations, if imposed, should be in

terms of the value of taxable property equalized to full market value rather than a fractional assessed value.

- Broad limitations in terms of all local functions of government are likely to be less damaging than those that apply to individual specific functions.

- Limitations on taxing powers, if imposed, should be restricted to the financing of operation and maintenance costs and should exclude requirements for servicing capital improvement debt and for pay-as-you-go capital outlays.

- If limitations are imposed, provision should be made for relief (a) administratively by a state agency and/or (b) by referral to the electorate.

- The electorate should always have the authority to initiate by petition a vote on proposals to exceed prescribed tax limitations.

- If property tax limitations are imposed and if governing bodies and citizens have the latitude to adjust them in compelling circumstances as recommended (see above), then tax limits should embrace all overlapping local taxing jurisdictions.

- Home rule charter jurisdictions should be exempted from the application of property tax limitations imposed by general law.

Draft measures to implement these ACIR proposals include provisions to repeal or modify local tax and borrowing limitations, as well as to set up the state's property tax organization and administration and its notification, review, and appeal procedures.[34]

Another early ACIR study, *The Role of the States in Strengthening the Property Tax,*[35] encouraged the states to take an active role in bringing about assessment reform. That report contained a series of recommendations for state action to improve assessment practices and income tax equity. The recommendations were based on three principles:

- The prevailing joint state-local system for administering the property tax can work with a measurable degree of effectiveness only if the state tax department is given sufficient executive support, legal authority, and professional stature to ensure local compliance with state laws calling for uniformity of tax treatment.

- Professionalization of the assessment function can be achieved only if assessors are selected on the basis of demonstrated ability to appraise property rather than elected in a political campaign.

- The perennial conflict between state law calling for full value assessment and the political difficulty of moving assessments closer to 100 percent can be resolved most expeditiously by permitting local assessment officials to assess at any uniform percentage of the current market value of the property, provided this policy is reinforced with: (a) *a full disclosure* policy, requiring the state tax department to make annual assessment ratio studies and to give property owners a full report on the fractional valuation policy adopted by assessors, and (b) an *appeal provision* specifically authorizing the introduction by the taxpayer of state assessment ratio data in administrative or court appeals on the issue of whether his assessment is inequitable.

While the recommendations of the 1963 report were well received, few changes in state practices were initially forthcoming because of the political costs of tax reform. To move from elected to appointed assessors, from partial to full value assessment, and from special privilege for some to equality for all, involves intense political pain. Because the property tax has come to be regarded as essentially a local levy, state-directed efforts at reform are often viewed as an infringement on the powers of local government. In addition, property tax reform invariably shifts the tax load among property owners. The achievement of uniform assessments becomes even more difficult in those jurisdictions in which farm and residential property have been assessed at a lower percentage of the market value than commercial and utility property. Under such circumstances, it becomes very difficult to secure the necessary political support for assessment reform.

Part of the problem is in overcoming the vested interests in the property tax *status quo*. Although ACIR public opinion surveys over a four year period have shown the local property tax to be widely regarded as the least fair tax, the ordinary taxpayer must feel more threatened by reform than by inequitable assessment practices.

In 1972, ACIR undertook a year long study of the property tax[36] in connection with President Nixon's request for help in devising ways to improve public school financing. In its major conclusions, the Commission found that (1) the property tax is not so burdensome overall as to warrant intervention by the Federal government; (2) an area of gross inequality in property tax use relates to low-income homeowning and renting families and particularly the elderly; (3) the states can and should take action to shield such low-income families from undue property tax burdens; and (4) property tax administration can be strengthened by state action.

Growing out of this report, and reaffirming it, ACIR called on every state to shield low-income and elderly families from overly burdensome property taxes. The Commission, recognizing that the property tax and its burden vary greatly from state to state and from community to community, asserted that tax relief is a state responsibility, not something to be bucked up to the national government for action. It also recognized that not everybody is overburdened by property taxes. The average American family in 1972 paid 3.4 percent of its income in property taxes. But more than 6-million elderly homeowners paid an average of 8.1 percent of their incomes in property taxes in 1970. And the 1.3-million elderly homeowners with incomes of less than $2,000 a year paid an average of 16 percent of their household income in property taxes.

Thus, ACIR urged states to phase in property tax relief for individual homeowners and renters when their property tax burden is excessive in relation to family income. It developed legislation – based on pioneering programs in Wisconsin, Minnesota, and Vermont – that would operate like a "circuit-breaker" in an electrical outlet, stopping the flow of property tax funds from taxpayer to tax collector when the property tax reaches a percent of personal income that the state deems excessive. Because landlords seek to recover their property taxes through rental payments, tenants as well as homeowners legitimately can be brought into the circuit-breaker program.

State adoption of circuit-breaker property tax relief has been rapid and widespread (see *Map I*). To keep up with developments in the area, ACIR surveyed state tax agencies in 1974 to obtain information on circuit-breaker provisions, benefits, and costs. The results were summarized in *Property Tax Circuit-Breaker: Current Status and Policy Issues.*[37] Some of the key findings were:

- More than 3-million claimants were sharing benefits of about $450-million annually.
- State per capita costs averaged $4.40 and ranged from less than $.10 to nearly $32.00.
- Benefits per claimant averaged $148, but ranged from $19 to $317.
- Nineteen state programs included renters as well as owner-occupants.
- Five programs included the non-elderly as well as the elderly.

New Mexico introduced a tax relief program that promises to be even more effective than a property tax circuit-breaker in relieving tax overloading. The program, called Low Income Comprehensive Tax Credit (LICTC), was enacted in 1972 and revised in 1973 and 1974. It provides those families that fall below the official poverty level with relief from some part of all state and local taxes. The relief is granted through a refundable credit against the New Mexico state income tax.

In 1974, the Commission published an information report, *The Property Tax In a Changing Environment: Selected State Studies.*[38] It updates, for 32 of the 50 states, the Commission's 1963 survey of state local property tax administration. The 1974 survey identifies four basic elements of a reformed state-local property tax system and suggests the required state action to achieve each element. These are summarized in *Figure VII*.

The states have been spurred to make progress in property tax administration by: the low esteem in which taxpayers hold the property tax; the court decisions already referred to; the demands of a growing environmental lobby for a more effective state role in local land use decisions, in which property tax factors had often been determinative; the improved overall budgetary positions of many states in the early 1970s – due in part to the first rounds of revenue sharing; and the popularity of tax relief accompanied by tax reform. Thus, after a decade of relative inactivity, many states began to change their property tax systems.

The recent record of action demonstrates clearly that the states are moving toward property tax reform. Considering the political and economic obstacles to reforming assessment procedures, this record is impressive, even though it does not yet demonstrate that sufficient action has been taken to bring the property tax to an acceptable level of administration and equity.[39]

Property Tax Reform by the States.[40]

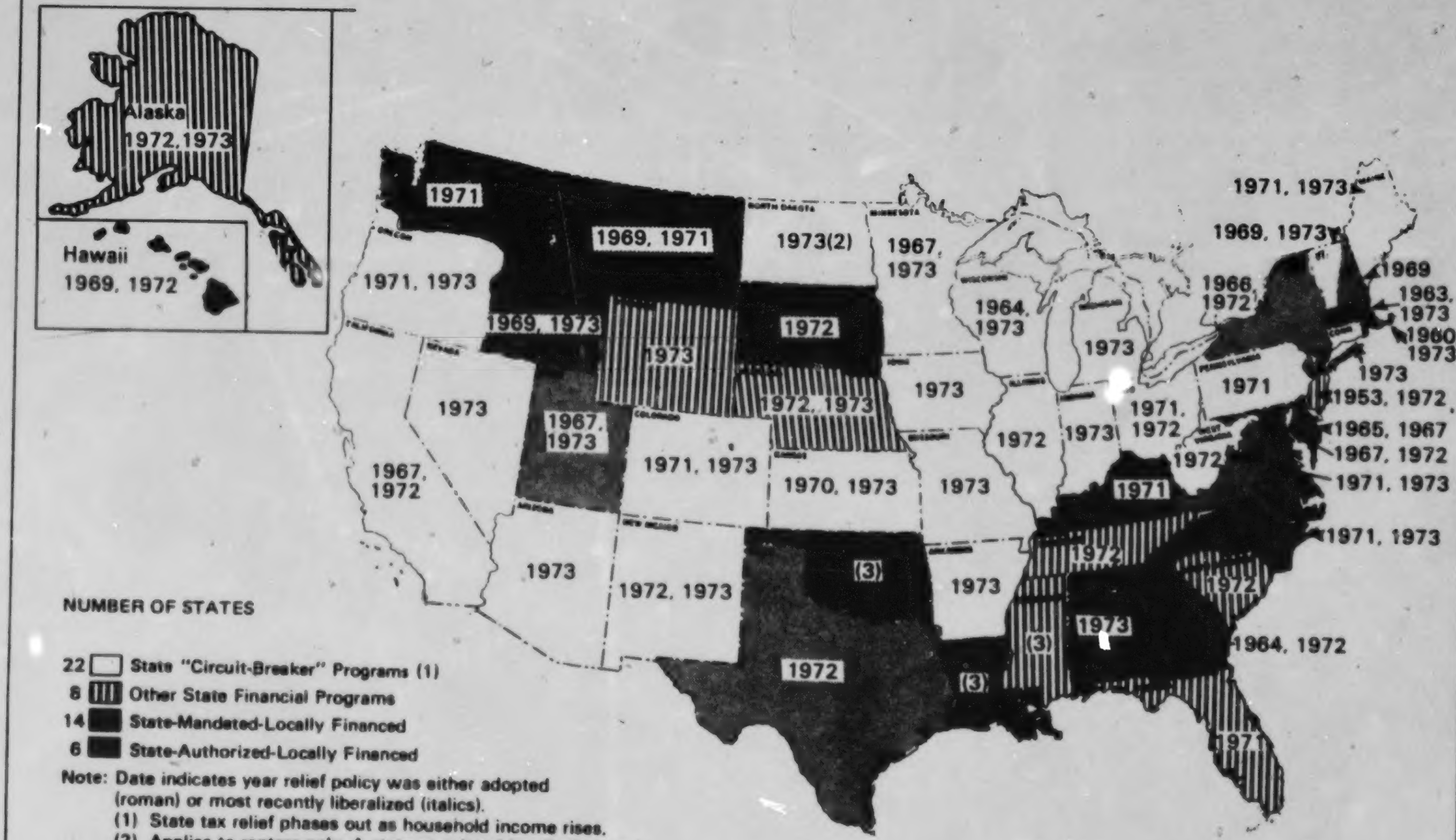
State property tax reforms achieved by 1975 may be summarized as follows:

Bring valuation and assessment practice into closer alignment.

- Over one-third of the states had taken action to bring their assessments up to legal standards.

Map I

PRINCIPAL STATE PROPERTY TAX RELIEF POLICIES FOR HOMEOWNERS AND RENTERS: GROWING STATE CONCERN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Hawaii
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1973(2)
1967, 1973
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1973
1953, 1972
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1967, 1972
1971, 1973
1971, 1973

NUMBER OF STATES

22 ☐ State "Circuit-Breaker" Programs (1)
8 ▥ Other State Financial Programs
14 ■ State-Mandated-Locally Financed
6 ■ State-Authorized-Locally Financed

Note: Date indicates year relief policy was either adopted (roman) or most recently liberalized (italics).
(1) State tax relief phases out as household income rises.
(2) Applies to renters only. A state mandated-locally financed plan applies to homeowners.
(3) Elderly receive tax relief under general homestead. tax relief provisions. The state reimburses local governments in Mississippi.

As of January 1, 1974.

SOURCE: ACIR, *Significant Features of Fiscal Federalism,* 1973-74 edition, p. 178.

Figure VII

Required State Action To Achieve Property Tax Reform and Relief

Element	Basic Action	Implemental Action
Legitimacy: closing the gap between assessment law and practice	Adopt an enforceable state valuation policy dedicated to ending the conflict between assessment law and practice. No matter which of the options on the right is selected, an essential or "given" first step is insistence on full market value appraisal.	*First Option:* Adopt and enforce a statewide full-value assessment standard for all property. *Second Option:* Adopt and enforce a statewide fractional assessment standard that is uniform for all types of real property. *Third Option:* Allow each local assessment district to set its own assessment level (subject to state-required uniformity among types of real property and a minimum level). *Fourth Option:* Codify existing *de facto* classification by establishing and enforcing different statewide assessment levels for various types of real property.
Openness: keeping the taxpayer informed	Provide each taxpayer valuation information to enable him to judge the fairness of his assessment, and establish a simple taxpayer appeal system as a remedy for improper assessment.	*a.* Annual State assessment ratio studies. *b.* Full disclosure of the findings of assessment ratio studies — with the local results printed on assessment notices. *c.* Accessible and inexpensive taxpayer appeal system, separate from the assessing function.
Technical Proficiency: organization for high-quality appraisal	Require that appraisers have the ability to establish and maintain accurate estimates of the market value for every class of taxable property and that the administrative structure facilitate this objective.	*a.* Centralize primary appraisal at the state level or, failing this, consolidate appraisal districts into units at least countywide to permit efficient use of specialized personnel and equipment. *b.* Strong state supervision and coordination of appraisal, including technical assistance to local districts, where appraisal remains a state-local function. *c.* State-training programs and certification for appraisers.
Compassion: relief from extraordinary property taxes	Extend relief to those taxpayers carrying extraordinary burdens in relation to income.	State-financed relief targeted to those whose property tax burdens are greatest relative to income, and phasing out as income rises (circuit-breaker).

- Four states had abandoned the full value standard for a classified system where utilities and commercial and industrial properties are assessed at higher ratios than farm and residential properties.

- Oregon and Kentucky had shown dramatic increases in their assessment sales ratios as they move toward their legally required full value assessments.

- After making a significant increase in its assessment sales ratio approaching the constitutionally mandated fraction, Washington now requires full value assessments. North Carolina also had adopted a requirement for full value assessments.

- Illinois, Montana, and North Carolina had rewritten the property tax provisions in their constitutions.

Opening the assessment process to public scrutiny.

- Fifteen states had provided that assessors notify taxpayers of changes in assessment levels.

- Eight states had provided that assessors notify taxpayers of appeals procedures.

- Hawaii and Idaho had established small claims procedures for taxpayer appeals.

- Eighteen states had either started conducting assessment sales ratio studies or had improved their ratio studies.

- Seventeen states had required assessors to list and set values of exempt properties.

Improving the quality of assessors.

- Sixteen states required certification of assessors or appraisers on the basis of qualifying examinations.

- Seventeen states had assessor training programs.

- Seventeen states provided technical assistance to assessors and exerted strong general supervision over assessors.

- Twelve states had taken steps to consolidate local assessing jurisdictions.

- Over one-third of the states had reorganized and strengthened their property tax supervisory agencies.

- Montana and Maryland had become the second and third states to centralize property tax assessment at the state level.

Tax relief for homeowners and renters with excessive tax burdens.

- Every state and the District of Columbia had developed some form of property tax relief for the elderly (at least homeowners and in some states renters also). The local governments costs of this relief had been assumed by the states in over three-fifths of the programs adopted.

- In 24 states and the District of Columbia the property tax relief took the form of a "circuit-breaker."

- In five of these latter states "circuit-breaker" coverage extended to all low-income homeowners and renters (without respect to age).

Reviewing the action of the 50 states over the last decade, 12 states (listed below in alphabetical order) emerge as leaders in property tax reform:

California
Florida
Kentucky
Maine
Maryland
Michigan
Minnesota
Montana
Oregon
Tennessee
Washington
Wisconsin

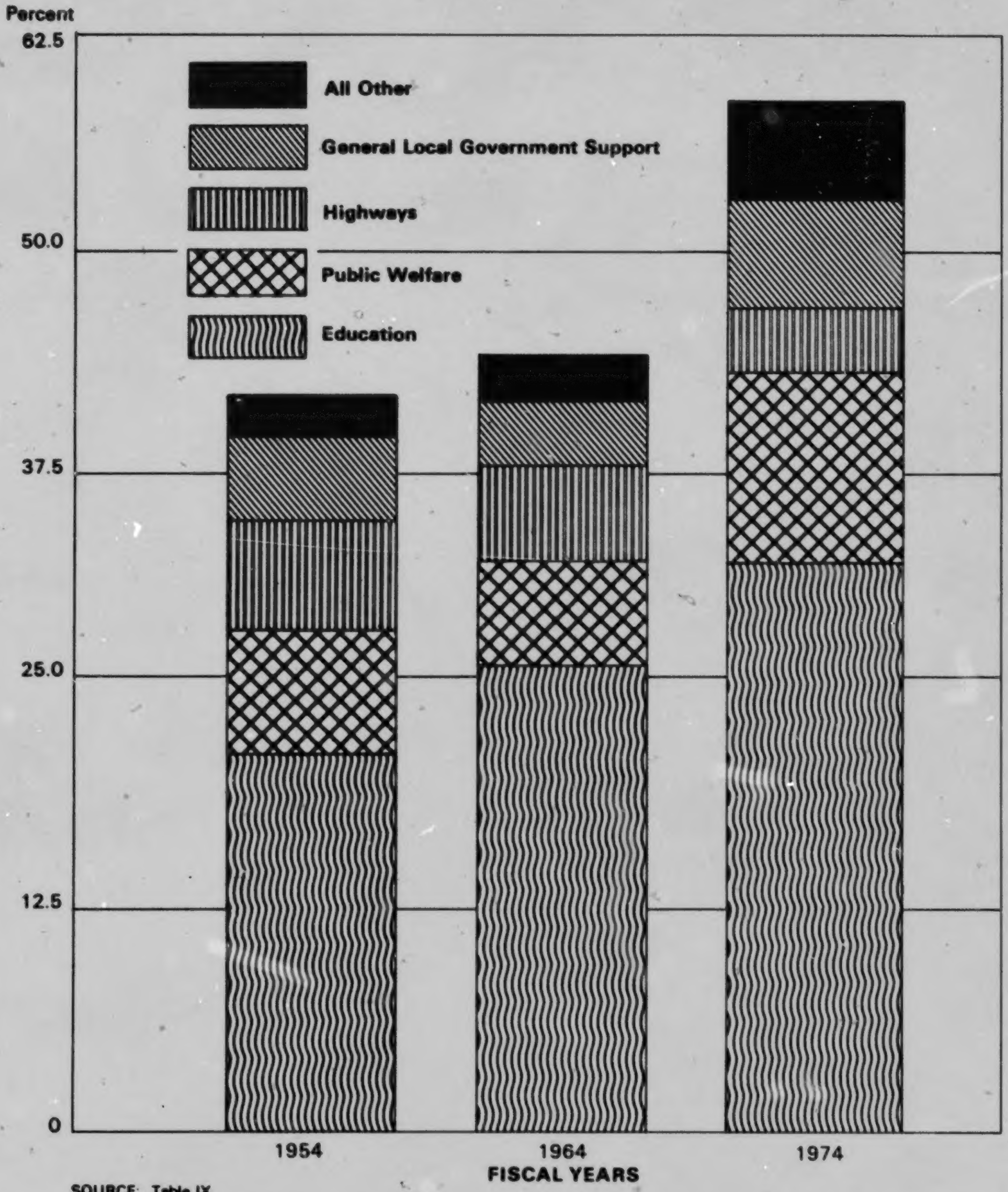
Developing More Effective State Aid Programs

States can ease urban government financing problems by providing a material part of all the costs of domestic public services in either of two ways – through direct state provision of such costly services as housing or transportation that would otherwise have to be locally supplied, or through the distribution of state funds to local governments to help finance their needs. Either approach offers an opportunity to overcome some of the serious difficulties arising in the typical metropolitan area. Governments in these areas are likely to have wide variations in need-and-resources relationships and those that must rely heavily on local tax sources frequently find themselves at a tax disadvantage in individual and business location decisions. *Figure VIII* and *Table IX* show that state aid has been rising steadily in recent years in relation to local revenues. However, the extent to which state intergovernmental fiscal aid may actually ameliorate such difficulties will depend not only on the

Figure VIII

STATE AID REGISTERS STEADY INCREASE IN RELATION TO LOCAL OWN SOURCE REVENUE, 1954-1974

(State Aid as a Percent of Local General Revenue From Own Sources)



SOURCE: Table IX

Table IX

State Aid Registers Steady Increase in Relation to Local Own Source Revenue, 1954, 1964, and 1969 through 1974

	Total State Aid						
Fiscal Year	Amount	As a Percent of Local General Revenue From Own Sources	General Local Government Support	Education	Highways	Public Welfare	All Other
			Amount (in millions)				
1954	$ 5,679	41.7	$ 600	$ 2,930	$ 871	$1,004	$ 274
1964	12,968	42.9	1,053	7,864	1,524	2,108	619
1969	24,779	54.0	2,135	14,858	2,109	4,402	1,275
1970	28,892	56.2	2,958	17,085	2,439	5,003	1,408
1971	32,640	57.3	3,258	19,292	2,507	5,760	1,823
1972	36,759	57.0	3,752	21,195	2,633	6,944	2,235
1973	40,822	57.9	4,280	23,316	2,953	7,532	2,742
1974	45,600	59.9	4,804	27,107	3,211	7,369	3,109
			Annual Percent Change				
1954	–	–	–	–	–	–	–
1964	8.6[1]	–	5.8[1]	10.1[1]	5.8[1]	7.7[1]	8.5[1]
1969	13.8[2]	–	15.2[2]	14.2[2]	6.7[2]	15.9[2]	15.6[2]
1970	16.6	–	38.5	15.0	15.6	13.7	10.4
1971	13.0	–	10.1	12.9	2.8	15.1	29.5
1972	12.6	–	15.2	9.9	5.0	20.6	22.6
1973	11.1	–	14.1	10.0	12.2	8.5	22.7
1974	12.5	–	12.2	16.3	8.7	-2.2	25.8

Table IX (Continued)

State Aid Registers Steady Increase in Relation to Local Own Source Revenue, 1954, 1964, and 1969 through 1974

Fiscal Year	Total State Aid: Amount	Total State Aid: As a Percent of Local General Revenue From Own Sources	General Local Government Support	Education	Highways	Public Welfare	All Other
			Percentage Distribution				
1954	100.0	—	10.6	51.6	15.3	17.7	4.8
1964	100.0	—	8.1	59.1	11.8	16.3	4.8
1974	100.0	—	10.5	59.4	7.0	16.2	6.8

[1] Annual average increase 1954 to 1964.

[2] Annual average increase 1964 to 1969.

SOURCE: ACIR staff compilation based on U.S. Bureau of the Census, Governmental Finances, various years.

total sum distributed, but also on the purposes for which it is available and on the allocation methods applied.

Some Background Dimension of State Aid. Great diversity characterizes the state response to picking up part of the "urban government" bill either directly or indirectly through fiscal aid. Over the years, state aid has come to constitute an increasing portion of funds spent by local governments for local purposes (see *Figures IX, X*, and *XI*). For example, total state aid as a percentage of local general revenue from local sources ranged from 100 to 150 percent in New Mexico, North Carolina, and South Carolina down to 12 to 25 percent in Massachusetts, South Dakota, and Hawaii and averaged about 60 percent. *Figure XI* shows the variations in state payments to the various types of local governments.

Most state aid is provided to help finance particular programs or functions, as *Figures IX* and *X* make clear. Education tops the list: over half of the state aid on the average goes to that function, far more than to any other area in nearly every state. Public welfare ranks next nationally, but with this fraction ranging widely from state to state, depending mainly on whether public assistance programs are administered directly by the state or through local governments. Highway aid comes third. These three areas alone account for about 83 percent of the total, leaving a little more than half the remaining 17 percent to be distributed for "general local government support," and less than 7 percent for payments for various other specific functions.

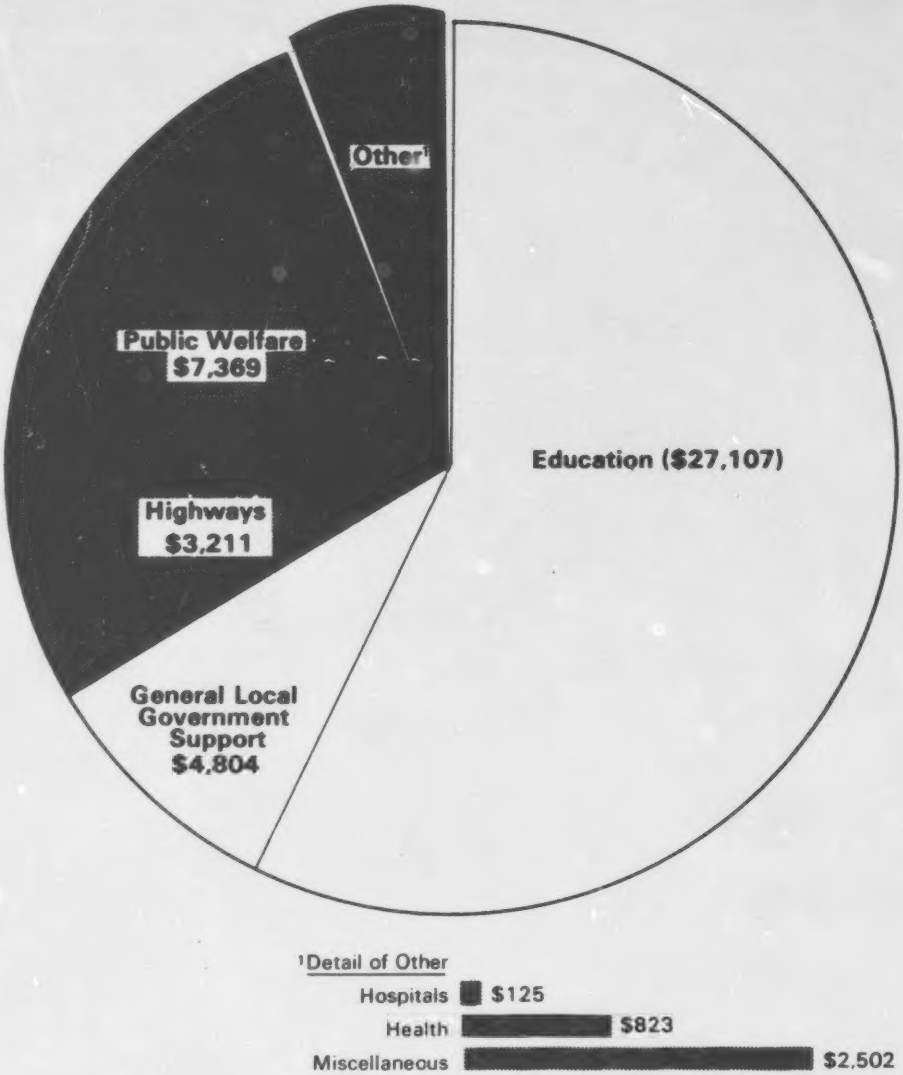
Improvements in State Aid. A partial substitution of state aid for local financing is, obviously, one means to ameliorate the adverse effects that otherwise result from an atomized local tax base and the geographic "mismatch" of needs and resources commonly found in metropolitan areas. The effectiveness of this approach hinges most directly on the distribution methods. State distribution formulas can and have operated to bolster numerous small units that might, without aid, be forced toward consolidation into larger and more balanced governments having greater capacity for self-support. The generalized notion that the fiscal problems of metropolitan areas can and should be eased through greater reliance on state financing needs detailed follow-up if it is to be realized. Any "solution" must be tackled with deep concern for issues of local government structure to fashion formulas that are likely to make the additional financing most effective from the standpoint of the objectives to be served.

Various Commission recommendations reviewed here concern the use of state aid as one means of limiting the

Figure IX

STATE PAYMENTS TO LOCAL GOVERNMENTS, BY FUNCTION, 1974—$45.6 BILLION

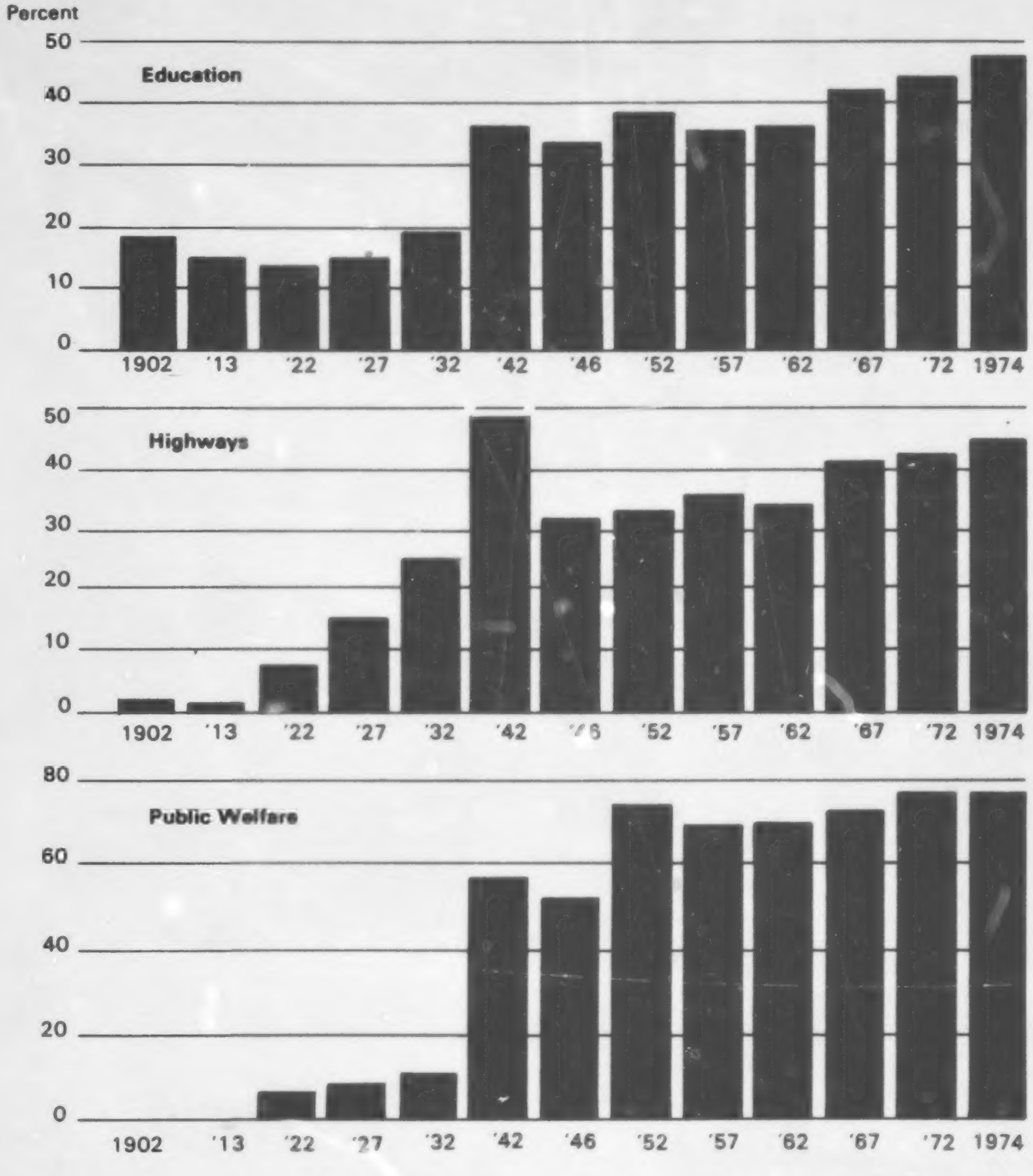
(In Millions)



SOURCE: U.S. Department of Commerce, Social and Economic Statistics Administration, Bureau of the Census, updated by ACIR staff.

Figure X

STATE PAYMENTS TO LOCAL GOVERNMENTS FOR THREE MAJOR FUNCTIONS AS PERCENT OF LOCAL GOVERNMENT EXPENDITURE FOR THOSE FUNCTIONS, SELECTED YEARS 1902-1974

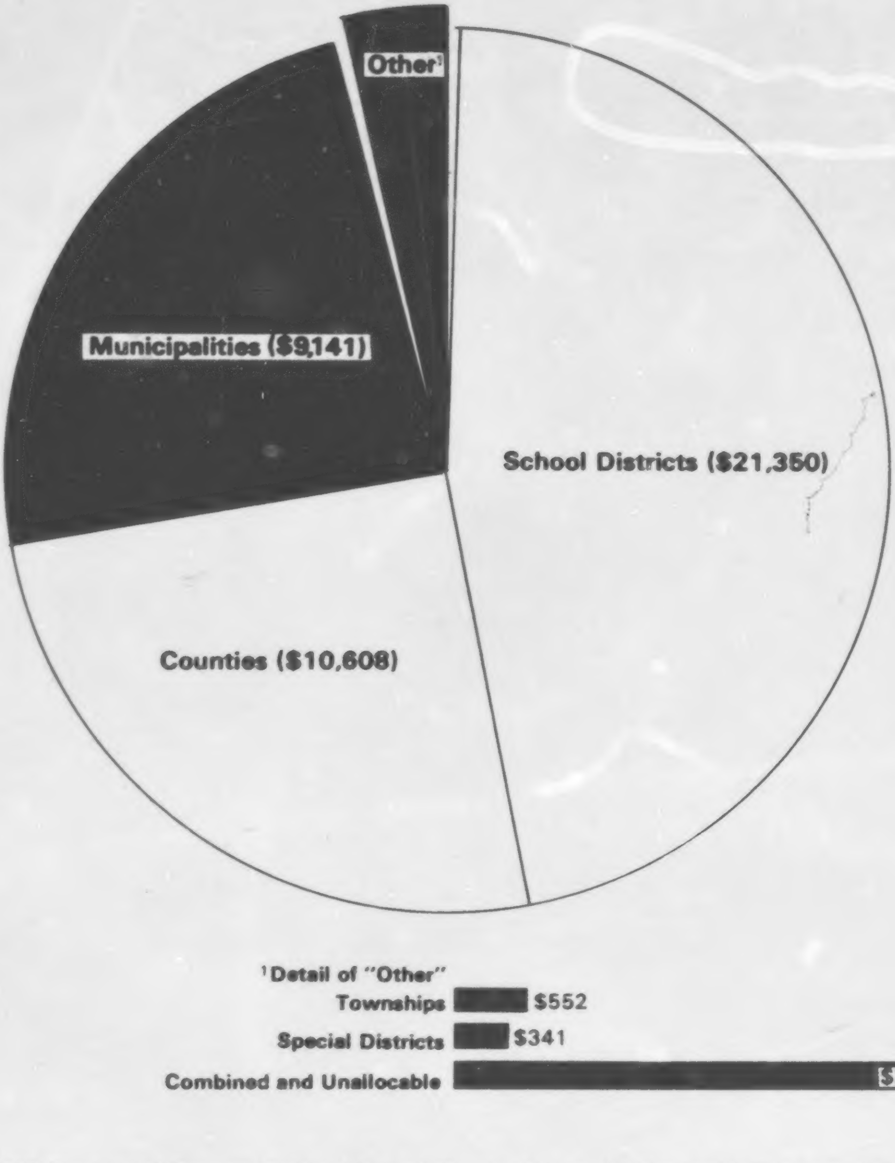


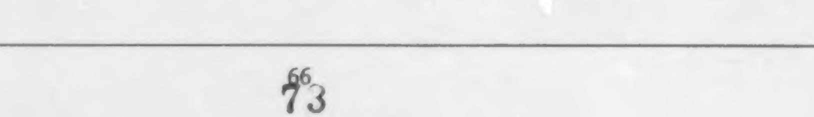
SOURCE: U.S. Department of Commerce, Social and Economic Statistics Administration, Bureau of the Census, updated by ACIR staff.

Figure XI

STATE PAYMENTS TO LOCAL GOVERNMENTS, BY TYPE OF GOVERNMENT, 1974—$45.6 BILLION

(In Millions)





SOURCE: U.S. Department of Commerce, Social and Economic Statistics Administration, Bureau of the Census, updated by ACIR staff.

diversity of local property tax loads and various steps to improve and systematize the planning and ongoing administration of state programs for fiscal aid to local governments.

Taking Account of Local Fiscal Overloads. The geographic mismatch between service needs and taxable resources causes a considerable variation in property tax rates within most metropolitan areas. This range can be narrowed in various ways: by replacing numerous very small taxing jurisdictions with a smaller number of larger ones; by shifting responsibility for the performance of certain appropriate costly functions "up" to the county, state, or nation; or by using aid from these latter two to help finance localized services, thus minimizing the amount of support that must be supplied on a small area basis.

The first two of these approaches are preferable, in that they would deal most fundamentally with the mismatch problem. They are, however, likely to be more difficult to accomplish. The "fiscal aid" approach therefore merits consideration as one means to limit differences in local tax loads and services. To help deal with such conditions:

> The Commission recommends that the states consider the merit of using state grant funds to equalize local property tax loads among local jurisdictions in metropolitan areas.[41]

The general principle underlying this recommendation has been applied for a long time in state aid programs for public schools, which in many instances provide relatively more assistance to poor school districts than to rich districts, but with such aid conditioned to a specified degree on local taxing effort. A broader state effort to level off excessive local peaks of property taxation might distribute a part of state sales tax revenue to local taxing jurisdictions where the total property tax rates (with due allowance for differences in assessment levels) are considerably above the statewide average.

Systematizing State Grant Programs. In its 1969 study, *State Aid to Local Government*, the Commission cut through functional lines to look at such questions as:

- How can state fiscal aid to local governments, which typically involves a large number of separate grant arrangements developed on a piecemeal basis, be constructively reordered into a more effective instrument for state-local partnership?
- What tools do governors and legislatures need to develop and apply consistent policies with regard to desirable grant-in-aid arrangements?
- What aid policies will prevent continuation, or even the worsening, of unsound patterns of local government structure – the bolstering of numerous units unsuited to present-day conditions?
- How can state policymakers gear grants for particular programs or activities to provide relief from local fiscal burdens without interfering with intended levels of service and other aspects of the aided activity?
- How can aid be used to promote more effective and coordinated long-range planning by local governments, and to support the state's related efforts toward better forward planning and policy formulation?

The challenges in aid policy formulation are to balance competing objectives, clear away outworn and undesirable arrangements, achieve consistency among related policies and programs, and provide for future conditions and needs. Moreover, like Sisyphus with his rolling stone, policymakers' efforts to do these things must be continuous, and without any hope that they can be "finally" or "completely" achieved. No set of institutional arrangements works magic on this score. Nor is there any substitute for courage, intelligence, and judgment by responsible officials and their supporting staffs.

The urgent need for better planning, design, and administration of state grants-in-aid deserves strong emphasis. More than one-third of the average state government budget goes toward supporting joint state-local activities. This reflects the intimate fiscal interdependence between states and their local governments. In our increasingly interdependent society, more urban area needs in the future will be financed from state and Federal sources rather than locally, and much of this may be channeled through state-local fiscal aid. Thus, because of its present scale and complexity and its prospective further enlargement, the state-local aid system demands more effective handling than it has received from state policymakers and administrators. Toward this objective, the Commission suggests several types of state action.

To create a policy environment conducive to the development of an effective state-local fiscal partnership:

> The Commission recommends that each state undertake to: (1) codify all state aid

> plans; (2) review and evaluate periodically all state aid programs in terms of their capacity to meet fiscal, administrative, and program objectives; (3) develop in conjunction with planning and budget officials an information system with respect to local fiscal needs and resources; and (4) evaluate all Federal aid programs in terms of their compatibility with state aid objectives and their fiscal and administrative impact on state and local programs.[42]

Recognizing the impact that state aid arrangements have on local government structure, the Commission urged that:

> . . . states enact legislation setting forth specific criteria for assessing the political and economic viability of their local governments . . . such criteria including but not being limited to (a) measures of fiscal capacity to raise revenues adequately and equitably; (b) measures of economic mixture such as minimum or maximum proportions of residential, industrial, or other tax base components; (c) measures of minimum population and geographic size sufficient to provide an adequate level of services at reasonable cost; and (d) other appropriate measures designed to reconcile competing needs for political accountability and community cohesiveness on the one hand with those for variety and reasonable balance in economic and social composition on the other.[43]

To draw together the numerous strands of legitimate concern about objectives and results of state-aided programs and activities, the Commission recommends that:

> . . . in enacting or modifying functional grant-in-aid legislation, states include not only fiscal standards, such as those establishing accounting, auditing, and financial reporting procedures but also, to the maximum extent practicable, performance standards such as minimum service levels, client eligibility, and where appropriate, guidelines for citizen participation such as the holding of public hearings.[44]

Beyond these administrative criteria, the states' larger concerns relate to physical and human development; thus:

> In order to maximize the effectiveness of state grant-in-aid programs and to assure that such programs will promote statewide economic, social, and urban development objectives, the Commission recommends the inclusion in such programs of appropriate requirements for conformance of aided facilities and activities to local, regional, and statewide plans.[45]

Generally, state grant-in-aid legislation should: (a) use a common definition of comprehensive plans, incorporating the necessary human resources, economic, and physical development components; (b) require that there be local functional plans to which major state-aided projects and programs can be related; (c) provide for the proper relationship of functional and comprehensive plans and planning for various geographic areas and specify a review procedure; and (d) provide that required plans use a common data base.[46]

The suggested actions have an important bearing upon fiscal problems within metropolitan areas although their major thrust relates to the design and administration of the overall state aid system. Specifically, the proposed periodic re-evaluation of aid programs should promote changes that would take account of the growing needs of metropolitan jurisdictions. Action relating grant-in-aid programs to tests of local government viability would be likely to have important implications for metropolitan areas with numerous small units. The proposed linkage of grant arrangements to planning is especially pertinent to metropolitan areas since that is where most rapid development occurs.

By 1974, the states had adopted several of the Commission's state aid recommendations: 46 states were making grants for general local government support; 30 states provided reimbursement to local governments or taxpayers for property tax relief; 11 states compensated local governments for the exemption of business personality; 26 states had a system of tax sharing; and 41 states had needs-type revenue sharing.[47]

DEFINING THE STATE ROLE IN MEETING CITY FINANCIAL EMERGENCIES

A 15-month study of financial emergencies in cities,[48] conducted by the Advisory Commission on Intergovernmental Relations in 1972 and 1973 under a

Ford Foundation grant, revealed the need for improved financial management in the nation's largest cities.

As a result of this study, the Commission recommended that:

- Each state designate or establish a single state agency responsible for improving local financial management functions and for the early detection of financial problems which might lead to local financial crises.
- Each state establish a set of guidelines to determine when the financial condition of a local governmental unit necessitates state intervention and that procedures be set up for carrying out remedial action.
- States regulate the use of short-term operating debt which carries beyond the end of the fiscal year, inasmuch as the inability of local government to repay such loans can be an important precipitating factor in financial emergencies.

The Commission noted that unfunded local pension plans seemed to constitute a potential fiscal time bomb ticking away in some cities. The factors contributing to the skyrocketing costs of local pension funds were identified as current pay increases for local employees that generate higher pension costs later; the concluding of many collective bargaining agreements which include substantially more costly pension benefits than formerly; and the early retirement of increasing numbers of city employees. In many cities, these factors are not being fully reflected in current estimates of retirement system requirements. In response to this situation the Commission called on the states to institute strict regulation of locally administered pension systems or to consolidate all local systems into one state-administered plan.

Relaxing Limitations on Local Debt

In its report *Unshackling Local Government*, the Commission recognized that authority to incur debt is a key element in local government financing. Over the years, one-fifth or more of all local public expenditure has been for construction and other capital outlays, the bulk of it initially financed from borrowing. Long-term, local general obligation bonds issued in 1974 totaled about $15.5-billion and interest on the $101-billion of outstanding local debt amounts to about $5-billion a year.

States have a legitimate and strong concern with the debt status of their local governments. Imprudent borrowing generates future trouble for the unit involved, and the state may be forced to come to its rescue, as occurred during the Great Depression of the 1930s and in New York in 1975. More immediately, unsound debt conditions may not only damage the credit position of the local government directly involved but also that of neighboring local governments or even the state government itself. There is a compelling reason, then, for state regulation of local borrowing and indebtedness.

As in the case of legal limitations upon local taxing powers, however, most state restrictions on local borrowing date from a bygone era when conditions were very different from those which exist today. In many instances, these restrictions are onerous in effect, unduly complex, and poorly conceived. They impede sound local government investment in public facilities, stimulate the proliferation of special districts, and promote undesirable borrowing practices that result in excessive debt service costs.

The most common form of legal limitation places a ceiling on total local debt at a specified percentage of the locality's assessed valuation, or -- even more rigidly -- sets separate ceilings on local debt for different purposes or facilities. If applied uniformly "across the board," these limits obviously cannot deal fairly with the great variation in local conditions and needs found within any state. The result is a complex maze of provisions cluttering up state laws with reams of detail in need of constant adjustment if efforts are made to deal with the variation by statute. Furthermore, when either tax limits or debt limits are tied to assessed valuations, assessors are accorded an improper policymaking role with regard to local government financing.

Another common type of state-imposed restraint on local finance mandates that bond issues be subject to popular referenda, sometimes requiring approval by more than a simple majority of the votes cast. This requirement, obviously, limits the power of local governing bodies to act even though they may do so on other equally important matters without specific popular authorization.

Two main ways have been used widely to get around these restrictions: (1) the creation of additional specialized types of local governments, having their own separate borrowing limits or, in some instances, less demanding referendum requirements than those of traditional multipurpose governments; and (2) the issuance of revenue bonds, payable from earmarked funds generated by the project – a type of debt not subject to the usual restrictions applied to bonds backed by the full faith and credit of the government. State constitutional and statutory restrictions on local government debt have contributed substantially to the near-doubling in numbers of special districts in recent years, and to the greatly increased proportion of "non-debt" debt (now more than one-third of all local bonds outstanding, as compared with one-sixth in 1952).

The Commission believes that the present maze of constitutional and statutory restrictions on local government borrowing seriously impedes effective self-government. These restrictions "handicap selfreliance of local communities and governments, and impel them toward increased financial dependence on state or Federal government resources." Moreover, the state imposed limitations have "contributed" in many areas to complexity and deviousness in local debt operations.

Accordingly, the Commission has recommended:[49]

> . . . that state provisions with respect to local government indebtedness take cognizance of all forms of local borrowing and debt . . . . The intended application of such state provisions should be made explicit . . . [and] any conditions that attach legally to the borrowing power of an individual local government [should] apply uniformly – or subject only to specifically defined exceptions – to any type of long-term debt it can incur.
>
> . . . that authority to issue bonds should be legally vested in the governing bodies of local governments, subject to a permissive referendum only, on petition, and with participation in any such referendum available to all eligible local voters and the results determined – except under unusual circumstances – by a simple majority vote on the question.
>
> . . . the repeal of constitutional and statutory provisions limiting local government debt or debt services by reference to the local base for property taxation.
>
> . . . that the states study and consider measures to regulate long-term borrowing of local governments by reference to the net interest cost of prospective bond issues in relation to the currently prevailing interest rate on high quality municipal securities.
>
> . . . that states make available technical and advisory assistance to local governments with regard to the issuances of long-term debt . . . .

Several states recently have eased their earlier restrictions on local borrowing powers.[50] Some have removed them for one or more types of local government. Alaska and Kentucky have led the way in setting up new arrangements for state technical assistance on local governments debt issuances; Alaska, Colorado, Nebraska, and Tennessee have gone "whole hog" and removed the limitations altogether.

FEDERAL ACTIONS

Remedial action by the Federal government is needed to overcome the urban fiscal problem, just as much as state action. These Federal actions include taking on greater responsibility for welfare programs, maintaining a general revenue sharing program, and streamlining Federal grant-in-aid programs.

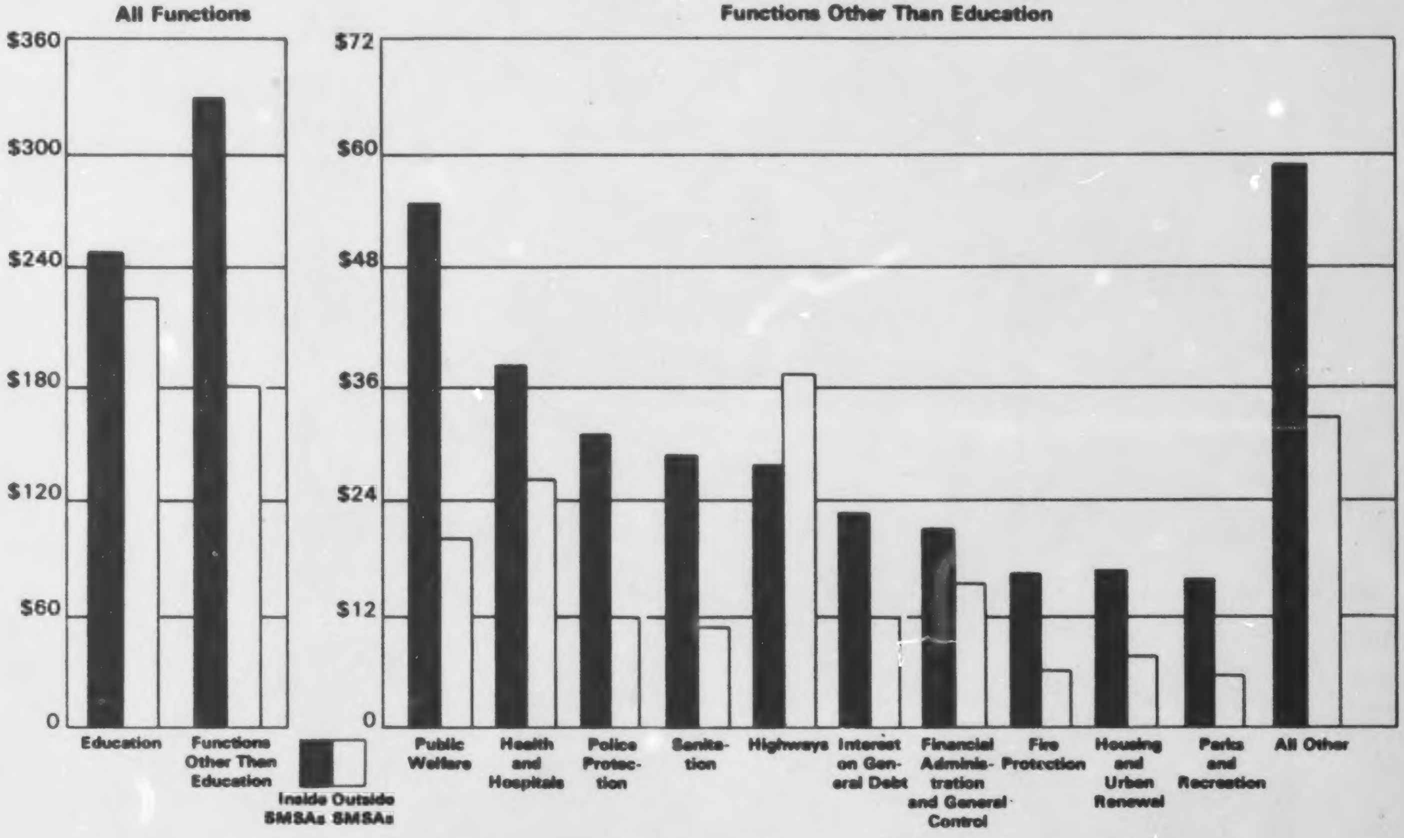
ASSUMING RESPONSIBILITY FOR PUBLIC ASSISTANCE

One of the major costs of state and local government in recent years has been public assistance payments (see *Figures XII* and *XIII*). Traditionally, state and local governments bore the cost of aiding the needy in the United States. They did so unaided until the Depression made the burden too great for them to bear. Aside from the recent development of "Medicaid," the various public assistance programs that now operate through state and local governments largely took shape in the mid-1930s. Under the *Federal Social Security Act* adopted then, the national government undertook to share in financing public assistance to four defined types of needy people – the elderly, dependent children, the blind, and the totally disabled. However, no Federal sharing was provided for public assistance to needy people falling outside those particular categories; the entire cost of any so-called "general assistance" was left for financing by state and local governments. While certain standards and procedural requirements were authorized for the various Federally aided "categorical" programs, no corresponding standards existed for general assistance.

Except for the adult categories of public assistance which were taken over by the Federal government in 1972, there is considerable interstate variation in the way responsibility for non-Federal financing of welfare is divided between the state and local government levels.

Figure XII

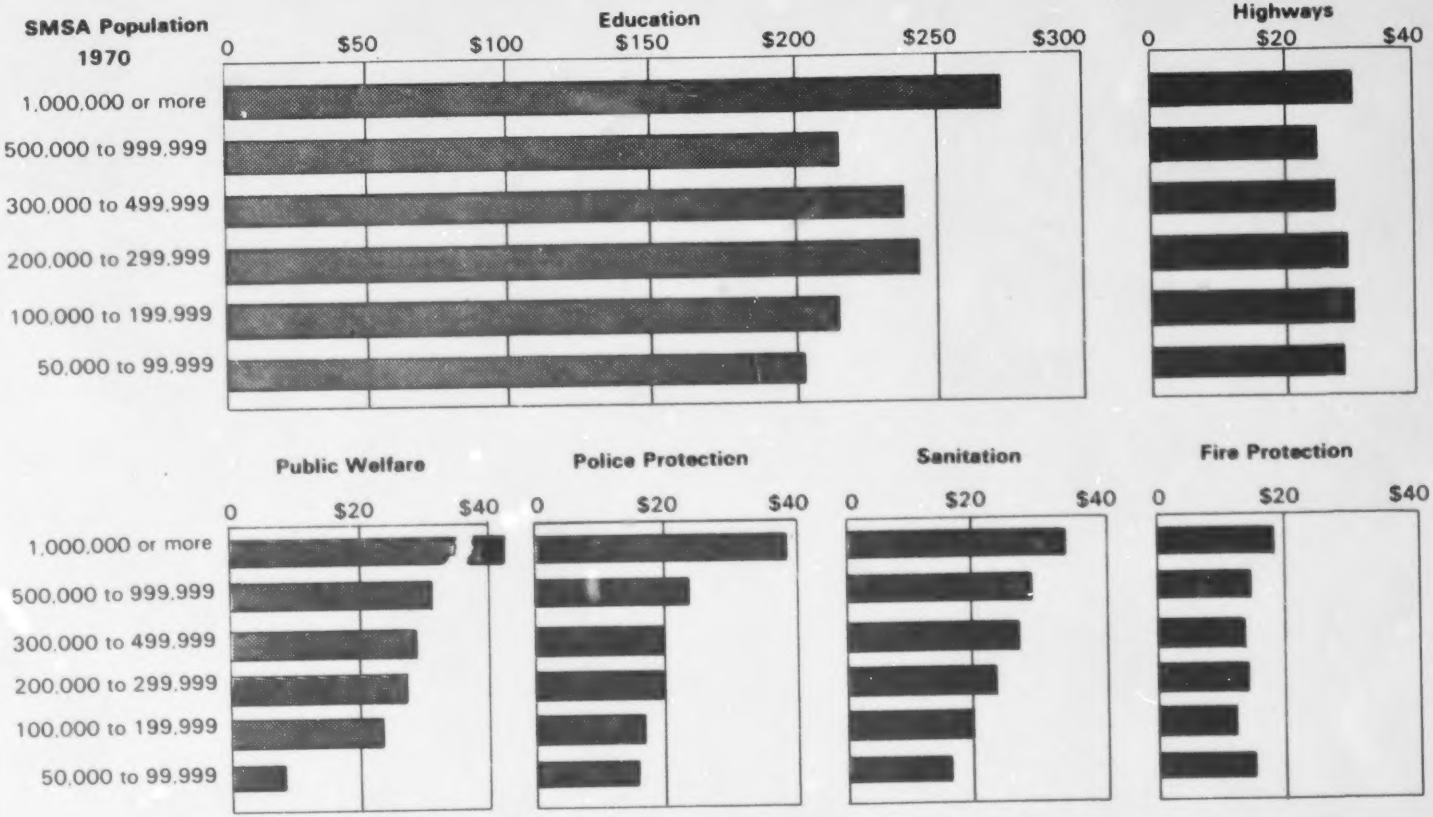
LOCAL GOVERNMENT IN METROPOLITAN AREAS—PER CAPITA DIRECT GENERAL EXPENDITURE OF LOCAL GOVERNMENTS INSIDE AND OUTSIDE OF STANDARD METROPOLITAN STATISTICAL AREAS, BY FUNCTION, 1971-72



SOURCE: U. S. Department of Commerce, Social and Economic Statistics Administration, Bureau of the Census.

Figure XIII

PER CAPITA DIRECT GENERAL EXPENDITURE OF LOCAL GOVERNMENTS FOR SELECTED FUNCTIONS IN VARIOUS SIZE GROUPS OF STANDARD METROPOLITAN STATISTICAL AREAS, 1971-72



SOURCE: U. S. Department of Commerce, Social and Economic Statistics Administration, Bureau of the Census.

In about half of the states, for example, the most costly welfare programs are directly state-administered, with little or no local share in their financing. Elsewhere local administration applies, but with a varying degree of state support to supplement Federal aid.

Even those states that administer or substantially help to finance Federally aided "categorical assistance" programs often play a far lesser role with regard to general assistance. Some states do not participate at all in financing general assistance while a handful foot the whole bill. In most others, a major part of the load falls upon local government.

The diversity in state-local welfare support resulted in monthly payments per recipient (as of August 1975) ranging from $14.41 in Mississippi to a national average of $67.59 and a high of $93.14 in New York for aid to families with dependent children; and from $9.96 in Oklahoma to a national average of $97.80 and a high of $113.22 in Pennsylvania for general assistance payments. Many states set no guidelines or standards for local provision of general assistance to help ensure some reasonable degree of comparability and adequacy in the aid so provided.

To rectify this condition, the Commission recommended in 1965 that state governments finance at least half of the cost of general assistance, and that they prescribe specific standards for such aid where its administration is left to local governments.[51]

The onerous burden of the public assistance program on state and local governments led the Commission to conclude:

> . . . that maintaining a properly functioning and responsive public assistance program as presently operating is wholly beyond the severely strained financial capacity of state and local government to support. The Commission therefore recommends that the Federal government assume full financial responsibility for the provision of public assistance, including general assistance and Medicaid. The Commission further recommends that the states and local governments continue to administer public assistance programs.

These recommendations are designed to relieve inequities stemming from differences in resource capacity among the levels of government and apply until such time as Congress and others shall determine a more efficient and appropriate method of welfare administration applicable to the complex social problems of our time.

Public assistance costs have climbed sharply (see *Table X*) to an estimated $25-billion in 1974. Of that total, about $13.4-billion was paid by the Federal government and about $11.3-billion by state and local governments. A big element in the recent rapid growth of public assistance expenditures has been the Medicaid program, which finances medical care not only for individuals so needy as to qualify for one of the forms of cash public assistance, but also, in the states that opt to do so, for persons who are somewhat better off but "medically indigent" in terms of prescribed standards. The second main factor in the growth of public assistance spending has been the rising scale of the program of aid to families with dependent children. These costs are too high for the state and local governments to bear under present conditions, but factors of fairness and efficiency also suggest a greater Federal role.

In view of the highly unequal pattern of welfare treatment among the several states, court decisions eliminating state residency requirements and changing the "man in the house" rule have permitted (and perhaps encouraged) welfare clients to migrate to the states offering the most benefits. States that underwrite generous assistance programs find their caseloads expanding, while those that are unable or unwilling to provide more than a minimum level of public aid find their caseloads diminishing. This has grave implications for health and human dignity as well as for patterns of future urban and rural growth.

Nor is inequality of welfare treatment among the several states the only undesirable result of the American public welfare system. The fragmentation and multiplicity of program categories present therein, the uncertain local financing role in many states, and the development of a welfare bureaucracy at all levels of government, with inevitable duplication and conflicting interpretations of the vast set of program regulations, all contributed their share to what came to be recognized by the late 1960s as "the welfare mess." Representative Martha Griffiths (D-Mich.), who headed the Subcommittee on Fiscal Policy of the Joint Economic Committee of Congress in the 92nd and 93rd Congresses, came away from a study of the welfare crisis convinced that "public assistance in medium and large cities . . . [was] virtually unadministrable, and the regulations largely unenforceable."[52]

Reform was obviously necessary.

Despite the main thrust of the Commission's Federal takeover recommendations being to relieve state and local governments, as indicated by the concluding portion of the recommendation, the Commission was

Table X

Public Assistance Expenditures, by Source of Funds and Recipients and Money Payments by Selected Programs, Selected Years 1950 to 1974

(in millions)

Item	1974	1970	1965	1960	1955	1950
Total Expenditures for Year	$24,745	$14,347	$5,868	$4,039	$2,940	$2,489
By Source:						
Federal	13,414	7,508	3,179	2,055	1,441	1,096
Percent	54.2	52.3	54.2	50.9	49.0	44.0
State	8,736	5,234	1,958	1,459	1,110	1,128
Percent	35.3	36.5	33.4	36.1	37.8	45.3
Local	2,595	1,605	732	525	389	265
Percent	10.5	11.2	12.5	13.0	13.2	10.6
Selected Programs:						
Total Money Payments						
Old Age Assistance	[1]	1,866	1,594	1,626	1,488	1,454
Aid to Families with Dependent Children	7,918	4,857	1,644	994	612	547
Medical Assistance[2]	11,288	5,507	–	–	–	–
General Assistance[3]	1,132	731	382	422	282	293
Number of Recipients of Money Payments (000)						
Old Age Assistance	[1]	2,082	2,087	2,305	2,538	2,786
Aid to Families with Dependent Children	11,006	9,659	4,396	3,073	2,192	2,233
General Assistance	851	1,056	677	1,244	743	866

[1] Superseded by supplemental security income program beginning January 1, 1974.

[2] Medical vendor payments.

[3] Includes medical vendor payments.

SOURCE: ACIR staff compilation based on U.S. Bureau of the Census, *Governmental Finances*, various years; and U.S. Department of Health, Education, and Welfare, *Social Security Bulletin*, various issues.

keenly aware of the most widely criticized aspects of traditional public assistance: its tendency to discourage efforts toward increased self-support by those recipients who might obtain gainful employment. This criticism has little relevance to the many people on assistance rolls who are so physically or otherwise handicapped, or so completely tied down by parental duties, that they could not take on paying jobs. But for those who are potentially employable, the usual public assistance arrangements operate like an income tax at the rate of 66 percent, since $30 plus one-third of the monthly earnings are disregarded in calculating the aid to be provided[53] – a disincentive to efforts at self-support! (An amendment to the AFDC program which took effect in 1969, reduced the marginal "tax" rate to 67 percent.) Further, the person with a chance for a paying job that would cut or end his public aid can reasonably fear that, if he later loses the job, he might face uncertainty and delay in again getting needed assistance. It is little wonder then that traditional forms of public aid, at least for potentially employable people, are so widely charged with tending to promote continuing dependency.

The Commission's recommendation, while implicitly recognizing this problem, was more directly addressed to the fiscal burdens and other undesirable aspects of public assistance as now in operation. If the Federal government were to assume the entire cost of existing public assistance programs (including Medicaid), about two-thirds of the benefit would go to the states, and about one-third to local governments. Where much of the load is now carried locally – and this includes some of the most urbanized states, such as California, New York, and New Jersey – local fiscal burdens would be substantially lightened.

The proposed course of action undoubtedly would operate to narrow the present gap between payments to needy people now made wholly from state and local sources, and those under any "categorical assistance" programs where Federal funds constitute part of the support. Federal participation in financing the categorical programs is a strong incentive for state and local governments to direct their welfare efforts toward those programs (because they will typically be supplemented by from one-half to three times as many Federal dollars), and to neglect and underfinance "general assistance."

Full Federal funding undoubtedly would also raise the level of aid in areas where it now is tragically below any reasonable standard of need, even with full allowance for the other resources of those receiving aid.

But financial relief to state and local governments was not ACIR's only concern. It concluded that because of their limited jurisdictional reach and their economic competition, state and local governments are inferior agencies to finance public welfare. Furthermore, they rely heavily upon property and sales taxes, which generally hit the poor harder than those better off; in contrast, the Federal government depends mainly upon progressive personal income taxation. The use of state and local revenues to provide for costly income-redistributing purposes such as public assistance is thus particularly questionable and economically inefficient.

Except in the half-dozen or so states where local governments have been relieved of virtually all financing of public assistance, the existing arrangements often contribute to the disadvantaged position of central cities and counties of metropolitan areas, where welfare needs tend to be concentrated. This is illustrated by Commission data for 1968 for each of the 50 counties that included cities of over 250,000 population. In two cases out of three, these areas showed a higher proportion of general assistance recipients, and in three cases out of four showed a higher proportion of general assistance payments, than their respective proportions of total statewide population. Similar extra loads were found also for the individual "categorical" welfare programs.

Thus, the assumption by the Federal government of responsibility for full rather than only partial financing of public assistance would materially ease the urban fiscal crisis and, particularly in states where much of this burden must now be borne locally, would reduce the unfortunate effects of the prevailing geographic mismatch between social needs and available fiscal resources.

The First Step Toward Federalization. In 1972, the nation took the first – albeit incomplete – step toward a truly national program of public assistance.

The *1972 Social Security Amendments* (P.L. 92-603) were modest in comparison to the Commission's recommendations and to the sweeping changes contemplated in the much debated family assistance program. Nevertheless, they did chart the course toward nationalization of three categorical welfare programs – old-age assistance, aid to the blind, and aid to the permanently and totally disabled. The amendments, which took effect on January 1, 1974, provide a Federal plan of assistance to such recipients, establish Federal definitions of eligibility, and allow the states to supplement the national payment if they wish.

Although aid to the aged, blind, and disabled has not shown the explosive growth of the aid to families with dependent children program, these less controversial categorical aids nonetheless are costly and marked by considerable interstate variations in benefit levels.

The 1972 amendments established national standards and maximum payments. Originally set at $130 for an individual and $195 for a couple by 1975 the figures were $146 and $219. Contrary to the 1969 recommendation of the Commission, which called for continued state-local administration of public welfare, the Federalized program is administered by the Social Security Administration. States may enter into agreements for administration of the state supplemental benefits. Under such agreements, supplemental payments must be made to all persons eligible for Federal security income payments, though states can require a period of residency.

Although it falls short of the Commission's recommendation for Federal takeover of all welfare costs to achieve a more equitable distribution of the welfare burden among the 50 states and to free state and local resources for programs that are more appropriately state-local in character, the 1972 legislation was a major Congressional step in the right direction. Many of the programs for which state and local funds have been freed are urban ones.

Adoption and Maintaining a Program of General Revenue Sharing

Perhaps the major development in intergovernmental finances in American history will turn out to be the enactment by Congress in 1972 of the *State and Local Fiscal Assistance Act*. ACIR found the need compelling for "Federal general support payments to states and local governments on a per capita basis adjusted for variations in tax effort" in its study *Fiscal Balance in the American Federal System* in 1967. The Commission did not attempt there to spell out a detailed plan to implement the recommendation. It was conscious, however, of the problem of assuring that governments in metropolitan areas would receive adequate guarantees in the disbursement of revenue sharing funds.

The Commission recommended revenue sharing as a part of a "grand design" to help surmount what it perceived to be the state-local fiscal crisis emerging at the end of the 1960s and threatening to block effective urban programs. (That design, as noted above, also called for Federal takeover of welfare costs, state assumption of a larger portion of the local educational fiscal load, and property tax reform.) ACIR reasoned that by giving state and local governments substantial amounts of "no-strings-attached" Federal monies to spend as they saw fit, some much needed flexibility would be injected into the existing pattern of intergovernmental fiscal transfer. Equally significant, such funds could – if used properly – give elected policymakers (and central management officials responsible to them) a much needed boost in influence. That group, after all, had lost out in the surge of categorical aids in the 1960s, over which they had little or no control.

There was much discussion of the revenue sharing idea – ACIR was only one of the progenitors of the concept[54] as the decade ended and the new one began. But it remained for President Nixon in his January 1971 State of the Union message to give revenue sharing Presidential approval and the impetus necessary for enactment. (He had first broached revenue sharing to Congress in a message of August 13, 1969.) He cited strengthening state and local government as a major goal of his Administration and urged passage of a $5-billion general revenue sharing program to that end. In the same message, he proposed another $11-billion in special revenue sharing funds to be provided by allocating $1-billion in new funds and converting one-third of the funds then going into narrow purpose categorical grants to additional Federal revenue sharing funds for six broad purposes – urban development, rural development, education, transportation, job training, and law enforcement – with the receiving states and localities making their own decisions as to how the funds in each category would be spent.

The Administration's general revenue sharing bill was soon joined in Congress by a variety of somewhat different proposals, and hearings on the several measures were held in the Subcommittee on Intergovernmental Relations of the Senate Committee on Government Operations and the House Ways and Means Committee beginning in June 1972. Significant supportive activity by public interest groups and others was voiced in the hearings. Despite differences among the bills, the hearings revealed a broad core of agreement, and the House passed its version of the program in June. In the Senate Finance Committee, a different formula for distributing Federal money to the states was adopted, necessitating referral to a conference committee. There the issues were resolved; the bill passed by large margins in both Houses in October and was signed into law in Independence Hall in Philadelphia.

The *State and Local Fiscal Assistance Act* marks a departure from past tradition in several ways. First of all, it was both an authorization and an appropriation act. It pledged a specific amount – $30.2-billion – of Federal aid to state and local recipients over a five year period, effective at once. Governments have two years to spend each allotment after it is received. Payments of the annual amounts are made four times a year. The funds are to be drawn from appropriations placed in a trust fund, over which the Senate and House Appropriations Committees have no control. Under the law the recipient governments receive their funds in several entitlement periods, as follows:

Entitlement Period	Dates	Amount Appropriated (in billions)
Period 1	1-1-72–6-30-72	$2.650
Period 2	7-1-72–12-31-72	2.650
Period 3	1-1-73–6-30-73	2.988
Period 4	7-1-73–6-30-74	6.050
Period 5	7-1-74–6-30-75	6.200
Period 6	7-1-75–6-30-76	6.350
Period 7	7-1-76–12-31-76	3.325

Secondly, in its division of funds, the act favors local governments over the states at a two-to-one ratio – the local governments receiving two-thirds of each year's allotments, regardless of the real division of responsibilities between the two. Thirdly, it leaves state officials free to spend their share of the funds as they choose with only one restriction – revenue sharing cannot be used, either directly or indirectly, as the state matching required for other Federal aid programs. Local officials are under the same restriction as state officials, but they can spend their revenue sharing funds only for "priority expenditures" as defined in the law: public safety, environmental protection, public transportation, health, recreation, libraries, social services for the poor and aged, financial administration, and ordinary and necessary capital expenditures authorized by law. In addition to these program restrictions, there were imposed as well a number of procedural and accounting requirements, including specific prohibitions against discrimination on the grounds of race, color, national origin, or sex in any program or activity funded in whole or in part with entitlement funds. Any violation of these prohibitions cuts off revenue sharing payments.

Under the act, revenue sharing funds are made available to all general purpose governments (counties, cities, towns, townships, villages) in the United States as of the date the law went into effect – that is, to 50 states and nearly 38,000 units of local government, including Indian tribes and Alaskan villages. Thus the law did not, as it might have, bring the weight of the Federal government behind an attack on the balkanization of local general government that is so characteristic of America's urban areas. It did, however, exclude school and special districts from the distribution.

The act provides two alternative methods of dividing the allotted funds among states areas – a three factor formula and a five factor one – with the formula producing the higher yield to be applied. The three factor formula uses state population, relative per capita income of state residents, and total (state-local) tax effort within the state; while the five factor formula uses, in addition, urbanized population of the state, and state income tax collections.

After the amount to be allocated within each state is computed, the state government receives one-third, while the remaining two-thirds is distributed among local governments – either by a state established formula (which no state has found it advantageous to enact), or under the procedure defined in the act. That procedure calls for initial distribution among county areas within the state on the basis of population, general tax effort, and relative per capita income of each county area. The local area allocation is then further distributed among local units of government. County governments share in the local area allocation on the basis of their adjusted taxes (taxes other than for education) as a proportion of adjusted taxes for the county and other local governments in that county area. If the county area includes one or more township governments, the township's share is calculated in the same manner as the county government's share. The remaining money allocated to the county area is then distributed among all other general units of local government (the various classes of municipalities) on the basis of population, tax effort, and relative income.

These formulas for the division of funds among local governments are subject to certain constraints. For example, no local government may receive more in revenue sharing money than half of its adjusted taxes plus intergovernmental aid. Moreover, in per capita terms, no local government may receive less than 20 percent – or more than 145 percent – of the average per capita distribution to local governments in the state. Those local governments, other than counties, Indian tribes and Alaskan native villages, that would be eligible under the terms of the act for less than $200 (and those that may choose to waive their entitlement) get nothing; their shares are added to the entitlement of their county governments.

Title III of the act partly counterbalanced general revenue sharing by placing a lid of $2.5-billion annually on Federal contributions to the previously open-ended social service program. With the exception of child care, family planning, and services to the mentally retarded, drug addicts, alcoholics, and children under foster care, not more than 10 percent of these Federal moneys can be used to provide services for individuals who are not recipients of, or applicants for, welfare aid or assistance. Distribution of this aid among the states is on the basis of population. These provisions required every program agency to account for the use of the money in greater detail; and reduced planned expenditures from this source in a number of states and cities.

But despite these cross-currents, the *State and Local Fiscal Assistance Act of 1972* is a major development in intergovernmental fiscal relations, because it provides state and local officials substantial additional Federal revenues with a high degree of certainty and with few restrictions on their use. These features strengthen the fiscal role of state and local officials, help to redress the balance of fiscal federalism, and bring about a better matching of needs and resources at state and local levels.

How has the act worked in practice? It is not yet possible to judge fully the effects of the program on state and local services, due in part to the way actual uses are reported by state and local chief executives, and in part to the difficulty of distinguishing revenue sharing funds from other state and local funds (a problem referred to as "fungibility"). However, the Office of Revenue Sharing has published two reports[55] on the use of GRS funds, which summarize reported uses through June 30, 1974. *Tables XI* and *XII* summarize the most important data from those reports as they relate to urban America, first in the aggregate for all recipient governments, and then by the individual types. It is apparent that the states and the various types of local governments have used the funds differently.

The data show that the largest part of the expenditures by each level of government is concentrated in a few categories, especially education for the states and public safety for the cities. Those two categories, plus multipurpose government, environmental protection, and public transportation account for most of the funds expended. The funds have been widely distributed among the various expenditure categories, and no category has been wholly neglected.

It is also noteworthy that more funds have been expended for operating and maintenance purposes than for capital expenditures, and the amount so devoted increased in fiscal 1974; in both GRS reports, the states spent the bulk of their funds on operation and maintenance (94 percent, 82 percent). During the period covered by these reports, cities and counties varied by size as to proportion for operation and maintenance v. capital expenditures: as a rule, the larger the city or county the greater the proportion of funds devoted to operation and maintenance.

Concerning the reported impact of general revenue sharing funds on state and local budgets, it appears that the funds had helped the states reduce or avoid tax increases, and had helped local governments prevent new taxes or tax increases thereby assisting them to maintain current tax levels.

ACIR Monitoring. At President Nixon's request ACIR also has monitored the intergovernmental impact of the program. The two-year monitoring effort included four informal public hearings, two of which were held in 1974; a nationwide public opinion poll conducted in 1973; and a survey of public officials.

The Commission's two 1974 revenue sharing hearings focused on widely controversial features of the revenue sharing program: use of funds to support social service type programs, citizen participation, and enforcement of the non-discriminatory provisions of the law. Much of the testimony presented urban interests in the program.

The main themes running through the two hearings were:

- a concern that local officials might not take full account of the views of their various constituencies, especially the poor, the black, and other minorities;

- a realization that the degree of citizen participation in deciding how to use revenue sharing funds varies widely, with no pattern emerging for large central cities, smaller communities, or rural areas; and

- a trend toward greater use of revenue sharing dollars for operating expenses and less for capital improvements.

In addition to these hearings, the Commission assisted the Intergovernmental Relations Subcommittee of the House Government Operations Committee in developing and conducting a survey of Congressional attitudes regarding the effectiveness of the revenue sharing program and the prospects for its renewal. With almost 40 percent of the Congressional membership responding, this survey showed support for program renewal as well as an undercurrent of concern about whether funds were used in accordance with Congressional expectations.

The Commission's report on its monitoring effort, *General Revenue Sharing: An ACIR Re-evaluation*,[56] found generally that revenue sharing had produced both benefits and new intergovernmental tensions for urban America.

On the positive side, the Commission reported that:

- State and local policymakers enjoyed wide discretion in the use of the moneys received. Notwithstanding the substantive and procedural limitations imposed by the act, governors, legislators, mayors, county officials, and city managers reported, that they had experienced little or no difficulty in getting the money to the uses their governments see as most desirable.

- Revenue sharing had a modest equalizing effect on the fiscal capacities of rich and poor states. ACIR computations showed a small but statistically significant relationship between state area per capita revenue sharing entitlements and state per capita personal income (an indicator of fiscal capacity).

- Revenue sharing provided more financial aid to central cities than to suburban communities. When per capita revenue sharing amounts to cities in the

Table XI

Reported Actual Use of General Revenue Sharing by All Units of Government

(in millions)

Category	Total Amount Expended		Operations and Maintenance		Capital		Percent of Total Funds Expended	
	1/1/73-6/30/73[1]	6/1/73-6/30/74[2]	1/1/73-6/30/73	7/1/73-6/30/74	1/1/73-6/30/73	7/1/73-6/30/74	1/1/73-6/30/73	7/1/73-6/30/74
							(rank in parenthesis)	
Public Safety	655.2	1,534.9	496.4	1193.4	158.8	341.5	23(2)	23(1)
Environmental Protection[a]	187.8	486.5	92.5	231.6	95.3	254.9	7(4)	7(5)
Public Transportation	416.9	987.8	183.8	465.4	233.1	522.4	15(3)	15(3)
Health	165.8	477.1	99.3	293.7	66.5	183.4	6(6)	7(6)
Recreation[b]	116.7	307.5	35.6	85.7	81.1	221.8	4(9)	5(7)
Libraries	18.5	82.3	18.5	46.0	–	36.2	1(13)	1(11)
Social Services for Poor and Aged	88.1	261.9	88.1	237.7	–	24.2	3(10)	4(8)
Financial Administration	69.9	136.4	69.9	107.9	–	28.4	2(11)	2(10)
Multi-Purpose General Grants	183.7	638.8	–	158.4	183.7	480.4	6(6)	10(4)
Education	687.2	1,381.3	643.0	1149.4	44.2	231.9	24(1)	21(2)
Social Development	12.9	12.8	–	–	12.9	12.8	c(14)	c(15)
Housing/Community Development	26.0	75.3	–	27.8	26.0	47.5	1(12)	1(12)
Economic Development	11.6	37.3	–	4.9	11.6	32.4	c(15)	c(14)
Corrections	–	43.2	–	26.0	–	17.3	–	c(13)
Other	177.6	253.2	149.8	235.8	27.8	17.4	6(7)	4(9)
Totals*	2817.9	6716.4	1876.9	4263.8	941.0	2452.6	100	100

*Some totals are affected by rounding.

[1] 32,665 units of government reporting.

[2] 34,538 units of government reporting.

[a] Included conservation in 1/1/73-6/30/73 figures.

[b] Included culture 1/1/73-6/30/73 figures.

[c] Less than 1 percent.

SOURCE: U.S. Department of the Treasury, Office of Revenue Sharing.

Table XII

Percentage of General Revenue Sharing Assigned by Units of Government* to Categories

Category	States		Cities		Counties		Townships	
	1/1/73-6/30/73	7/1/73-6/30/74	1/1/73-6/30/73	7/1/73-6/30/74	1/1/73-6/30/73	7/1/73-6/30/74	1/1/73-6/30/73	7/1/73-6/30/74
Public Safety	2%	1%	44%	46%	23%	23%	33%	32%
Environmental Protection[a]	1%	2%	13%	14%	6%	6%	9%	9%
Public Transportation	5%	8%	15%	15%	25%	23%	32%	29%
Health	3%	8%	5%	4%	12%	12%	4%	4%
Recreation[b]	—	1%	8%	8%	5%	4%	4%	5%
Libraries	*	c	1%	2%	1%	2%	1%	2%
Social Services for Poor and Aged	6%	7%	1%	1[d]	2%	4%	1%	2%
Financial Administration	2%	1%	2%	1[d]	5%	4%	3%	3%
Education	65%	52%	—	c	2%	2%	1%	1%
Multi-Purpose General Government	1%	7%	7%	7%	15%	17%	9%	10%
Social Development	N.A.	N.A.	N.A.	c	1%	1%	—	c
Housing/Community Development	—	1%	2%	1%	1%	1%	1%	1%
Economic Development	—	c	1%	1%	—	c	—	c
Corrections	—	2%	—	—	—	—	—	—
Other	15%	10%	1%	c	2%	c	2%	c

*Reported use of funds by Indian tribes and Alaskan native villages not included.

[a] Included conservation in 1/1/73 figures.

[b] Included culture in 1/1/73 figures.

[c] Less than 1 percent.

[d] Does not include less than 1% capital expenditure reported.

SOURCE: U.S. Department of the Treasury, Office of Revenue Sharing.

same county were compared, the central city got three to seven times as much as its most affluent suburban neighbor. When the per capita entitlement of the central city was compared to the estimated average per capita entitlement for all outlying cities in the same county, the central city got 1.5 to 3 times as much as the suburban cities.

- General revenue sharing continued to enjoy public support. In the most recent poll conducted on behalf of ACIR (May 1975), the revenue sharing program was supported by public opinion by about the same margin (55 percent) as in the first poll (May 1973) – 56 percent. Moreover, a smaller percentage of respondents (23 percent) indicated no opinion in this poll than in the first (26 percent).

- Some increase in local citizen participation was traced to revenue sharing. While there was no legal mandate calling for citizen participation in decisions on the use of revenue sharing funds, the publicity attending the enactment of the program and the distribution of the funds, along with the procedural requirement that recipients publish planned use and actual use report, had stimulated some additional citizen participation and concern in determining local budget priorities. A number of local governments had held special hearings about the use of these funds.

- Revenue sharing expended the possibilities of combating discrimination. While the Office of Revenue Sharing had inadequate staff to carry on a vigorous affirmative action program, it sought to help state and local officials prevent or correct discriminatory practices and to inform citizens generally of their rights and responsibility regarding equal rights under the revenue sharing law.[57] Moreover, the inclusion of the nondiscrimination provision in the law had considerably expanded the ability of the Federal government to combat discrimination in the state-local sector because (1) the revenue sharing program reached many communities which never before had Federal aid and (2) it prohibited discrimination both in the distribution of benefits and in employment in programs at all financed with GRS funds – including discrimination on grounds of sex.

On the negative side, the Commission reported that:

- The equalizing thrust of the revenue sharing allocation formulas was blunted by the maximum and minimum local entitlement limitations. Revenue sharing's capacity to reduce fiscal disparities between central cities and their suburbs in metropolitan areas would have been greater had Congress not limited the equalizing thrust of the formula by establishing the 20 percent minimum and 145 percent maximum limits on payments to local governments.

- Total Federal aid outlays had not grown as fast as before nor as fast as state-local expenditures since the introduction of revenue sharing.

- Inflation had considerably eroded revenue sharing. General revenue sharing allocations expanded at the rate of 2.5 percent per year, while the GNP price deflating index for the state and local government sector rose at the rate of over 6 percent annually.

- Since GRS funds could substitute for state and local funds, they did not always increase the recipients' expenditures; instead they helped to reduce taxes.

- Allegation had been made that revenue sharing shortchanged the poor and elderly by leading state and local governments to spend funds for other purposes than needed social services. The fungibility of revenue sharing dollars made it impossible, however, to tell precisely what groups benefited from GRS moneys.

- Revenue sharing had propped up certain duplicative and obsolete local governments, since all general purpose governments defined by the Census Bureau, no matter how limited in purpose and relatively inactive – *e.g.*, midwest townships and New England counties – were sustained by their eligibility to receive GRS funds.

- Revenue sharing allocations inevitably failed to keep pace with current needs and efforts. With each passing entitlement period, state and local population and per capita money income data drawn from the 1970 Census became less representative of each community's true demographic and economic situation, progressively understating the needs factor of governments with relatively slow growth in per capita income.

- The formula incentives in the act for greater state use of the personal income tax did not prove strong enough to accomplish their objective. The very complexity of the interstate allocation formulas made it difficult for state policymakers to determine what the incentive would mean in terms of larger revenue sharing payments. Actually, only 16 states and the District of Columbia could have obtained a larger revenue allocation by increasing income tax collections.

Issues. From its survey ACIR addressed the issues Congress faced in considering re-enactment of revenue sharing:

1. *The Renewal Issue* – is the basic rationale underpinning the revenue sharing idea – redressing the fiscal imbalance among governments and achieving a decentralization of decision-making – still valid for our Federal system? ACIR concluded it is.

2. *The Appropriations Issue* – if the answer to the first question is yes, how can a balance be struck between state and local desires for funding certainty and the Federal desire for budgetary flexibility? ACIR recommended permanent trust fund financing and funding at a constant percentage of the Federal personal income tax base (adjusted gross income).

3. *The Distribution Issue* – should the distribution formula be altered to give the program greater capacity for equalization? ACIR recommended no alteration.

4. *The Discrimination Issue* – to what extent should the Office of Revenue Sharing become more aggressive in combating state and local disbursements (the use of revenue sharing funds)? ACIR recommended that the Office of Revenue Sharing develop arrangements with appropriate existing Federal, state, and local government agencies to carry out the civil right responsibilities under the revenue sharing act.

5. *The Federal Control Issue* – should the priority classifications for local expenditures and the procedural requirement calling for planned use and actual use reports be eliminated so as to give state and local officials full discretion as to how to spend revenue sharing funds? ACIR concluded that existing reporting requirements do provide the basis for a degree of Federal accountability and direction and did not recommend their elimination.

6. *The Leverage Issue* – should the program incorporate devices to accelerate reform in state and local governments' budget making practices, and more intensive state use of the personal income tax? ACIR concluded that explicit incentives in the revenue sharing program were not desirable.

Other Monitors of Revenue Sharing. ACIR is only one of many agencies monitoring the general revenue sharing program. The General Accounting Office is studying the program, as is the Office of Revenue Sharing itself. And the Subcommittees on Intergovernmental Relations of the Senate and House Committees on Government Operations are keeping abreast of the program in operation. In addition, there has been a good deal of attention paid to it by individual members of Congress, officials of state and local government, the press, associations of state and local public officials, and university researchers. Other monitoring groups include the Brookings Institution, the National Council on the Aging, the Southern Regional Council, the National Association for the Advancement of Colored People, the National Council of Negro Women, and the National Clearing House on Revenue Sharing (a joint effort of the League of Women Voters, the Center for Community Change, the National Urban Coalition, and the Center for National Policy Review). The final assessment of the first five years of the program will have to take into account all these findings and a burgeoning literature on revenue sharing as well.[58]

Public interest, church, community action, and minority group organizations have been in the forefront of the critics of GRS. On the one hand, they want to open the decision-making process concerning the use of the funds to the public, rather than let it remain the prerogative solely of local and state government officials, and on the other hand they want to shift the balance among uses of the moneys more in favor of social services, especially to the minority groups in society. Some have even questioned one of the basic tenets of the whole program, that state and local units are in fact more responsive to their citizens' needs and priorities than the Federal government.

President Ford sent a special message to Congress on April 25, 1975, urging the 94th Congress to extend the act for five and three-quarter more years, retaining the initial revenue sharing formulas, providing for annual increases of $150-million, and strengthening the civil rights and public participation elements of the revenue sharing program. S. 1625 contains the Administration proposals. A Subcommittee of the Senate Committee on Finance had already conducted hearings on operating experience under the revenue sharing program, and a number of individual bills to extend and revise the program in a variety of ways had already been submitted by members. The renewal question has involved a good deal of controversy in Congress.

Summary View. Summing up the Commission's views on revenue sharing, individual aspects of the program can be faulted for not conforming to all the nuances of our highly complex state and local fiscal system. For example, the present program does not go as far as some would urge in equalizing fiscal capacity between rich and poor states. Nor does the present program completely compensate for the great fiscal disparities between the nation's major central cities and their affluent suburban neighbors. But, taking the distribution of revenue sharing funds as a whole, and bearing in mind the diverse interests that had to be reconciled in creating the program as well as the fact that revenue sharing was not conceived as a panacea to "solve" the urban fiscal crisis, but only as one of several Federal aid devices working toward that end, its fiscal equalization results are impressive.

By the same token, some of the advocates of "pure" revenue sharing fault the Congress for attaching certain expenditure priorities and imposing certain reporting requirements on state and local governments. Yet, the Commission's findings reveal that, despite these conditions, state and local governments enjoy wide discretion in the use of this added resource, while at the same time the conditions provide at least a modicum of Federal guidance for the program.

Clearly, the renewal of the revenue sharing program reflects this pragmatic character of federalism where accommodation to various interests must be made to insure that the continuing quest to improve the program does not undermine the support for an already essentially good one.

Streamlining the Federal Aid System

In meeting their fast mounting public expenditure needs, state and local governments have benefited by both the marked expansion of Federal grants-in-aid and Federal action that does not operate through intergovermental payments. The latter includes (1) provision for old age and survivors insurance which has vastly curtailed the extent of poverty that otherwise would have added to their public assistance load and (2) economic policies that have contributed to rising production and income – thereby to the growth of the state-local tax base.

Figure XIV and *Table XIII* show that in dollar terms Federal aid to state and local governments, estimated at about $60-billion in fiscal 1976, has more than doubled in the last five years, more than quadrupled in the last decade, and multiplied over 20 times since 1954. Because of the rapid rise in state-local expenditures and own-source revenues in the same period, growth of Federal grants is less striking, though still significant when measured in relative terms. It has climbed from 11.4 percent of all state-local general revenue in 1954 to 17.3 percent in 1964 and to 29.5 percent in 1976.

The Advisory Commission on Intergovernmental Relations has dealt with various aspects of the Federal grant-in-aid system over the years, ranging from studies of the broad implications of equalization formulas and planning requirements to the specifics of particular functional areas, such as mass transportation, criminal justice, water and sewer systems, and the war on poverty. None, however, had as significant a bearing on the allocation of resources to deal with metropolitan problems as the far-reaching recommendation in *Fiscal Balance in the American Federal System*[59] calling for a combination of revenue sharing and an overhauled and simplified system of categorical and block grants.

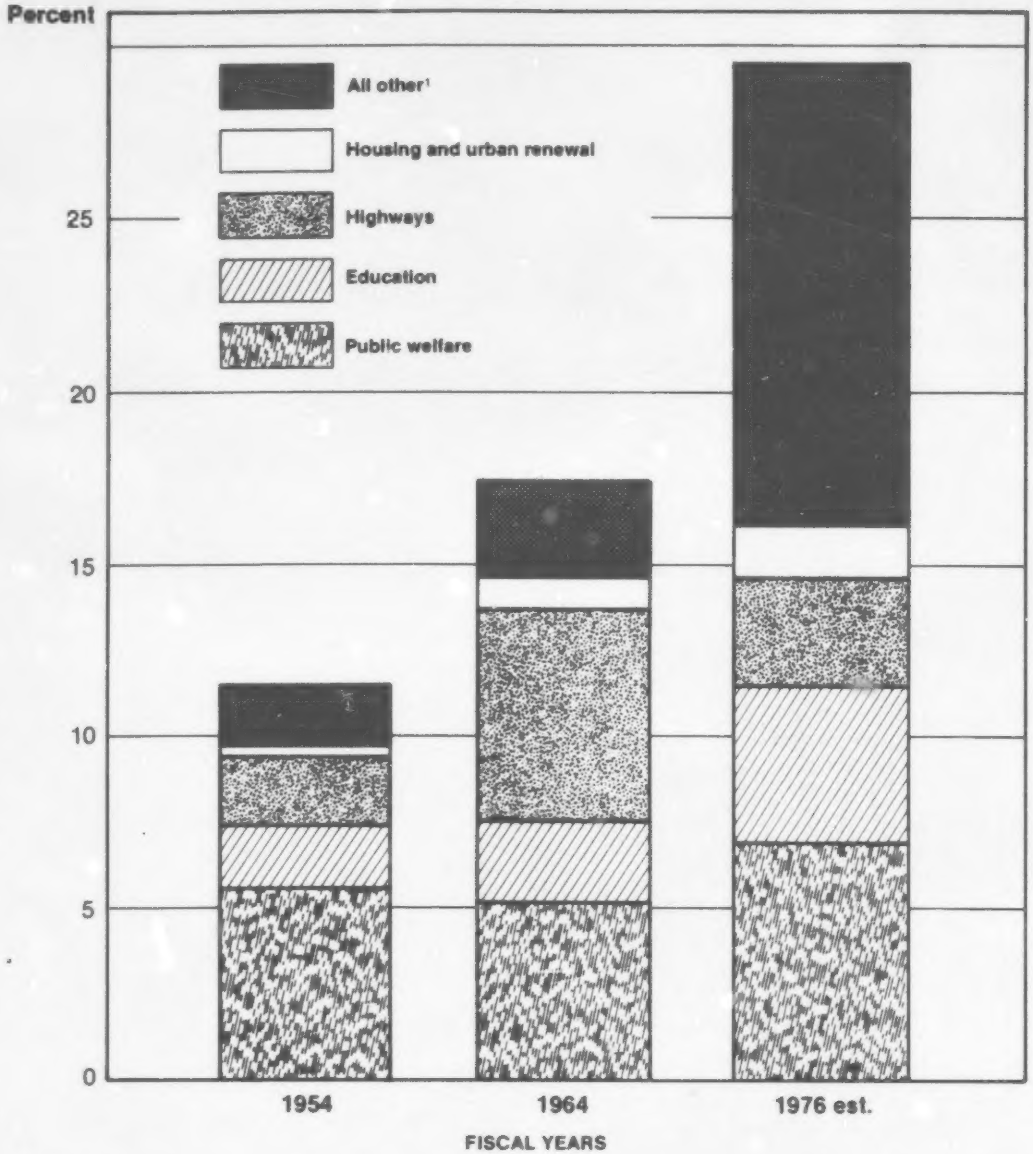
Federal Aid Analyzed. The mix of Federal aid can be analyzed by employing four factors. The first relates to the extent that recipient jurisdictions are permitted unrestricted, wide, or narrow program discretion, that is, whether or not funds received must be spent on broad or specific, yet defined, servicing areas. The second factor is the extent to which the aiding jurisdiction stipulates tight, broad, or nominal conditions (such as project or plan review and approval, or administrative and reporting requirements) as the *quid pro quo* for receipt of assistance. A third is whether a statutorily based or dictated distributional formula or a basically discretionary allocational approach is adopted. The final factor relates to recipient eligibility, and focuses on whether a broad or essentially narrow range of recipients are recognized under the pertinent legislative provision.

Figure XV diagrams the interaction of these four factors and shows how the six commonly referred to types of intergovernmental fiscal transfers (project and formula-based categoricals, target grants, block grants, special revenue sharing, and general revenue sharing) incorporate these differing principles in practice.

Figure XIV

FEDERAL AID INCREASES STEADILY IN RELATION TO STATE-LOCAL OWN SOURCE REVENUE, 1954-1976

(Federal Aid as a Percent of State-Local General Revenue From Own Sources)



SOURCE: Table XIII

[1] Includes general revenue sharing payments in 1976 (3.2 percent of state-local revenue).

Table XIII

FEDERAL AID INCREASES STEADILY IN RELATION TO STATE-LOCAL OWN SOURCE REVENUE, 1954, 1964 AND 1969 THROUGH 1976

	Total Federal Aid						
Fiscal Year	**Amount**	**As a Percent of State-Local General Revenue From Own Sources**	**Education**	**Highways**	**Public Welfare**	**Housing and Urban Renewal**	**All Other (Including Revenue Sharing[1])**
			Amount (in millions)				
1954	$2,967	11.4	$475	$530	$1,439	$90*	$433
1964	10,097	17.3	1,371	3,628	2,973	564	1,561
1969	19,421	20.4	4,960	4,314	6,358	921	2,868
1970	23,257	21.4	5,698	4,553	7,574	1,609	3,823
1971	27,121	22.8	5,907	4,738	9,766	1,611	5,099
1972	33,178	24.6	6,250	4,741	13,251	1,981	6,955
1973	41,268	27.3	6,791	4,807	12,097	2,121	15,452[1]
1974	42,854	25.8	7,496	4,555	12,837	2,391	15,575[1]
1975 est.	49,200	27.0	8,500	4,750	11,800[2]	2,800	21,350[1]
1976 est.	59,200	29.5	9,000	6,400	13,900	3,100	26,800[1]
			Annual Percent Change				
1954	—	—	—	—	—	—	—
1964	13.0[3]	—	11.2[3]	21.2[3]	7.5[3]	20.1[3]	12.9[3]
1969	14.0[4]	—	29.3[4]	3.5[4]	16.4[4]	10.3[4]	14.1[4]
1970	19.8	—	14.9	5.9	19.1	74.7	33.3
1971	16.6	—	3.7	8.2	28.9	0.1	33.4
1972	22.3	—	5.8	0.1	35.7	23.0	36.4
1973	24.4	—	8.7	1.4	-8.7	7.1	122.2
1974	3.8	—	10.4	-5.2	6.1	12.7	0.8
1975 est.	14.8	—	17.4	4.3	-8.1	17.1	37.1
1976 est.	20.3	—	5.9	34.7	17.8	10.7	25.5
			Percentage Distribution				
1954	100.0	—	16.0	17.9	48.5	13.0	14.6
1964	100.0	—	13.6	35.9	29.4	5.6	15.5
1974	100.0	—	17.5	10.6	30.0	5.6	36.3
1976 est.	100.0	—	15.2	10.8	23.5	5.2	45.3

*Estimate

[1] Includes Federal general revenue sharing payments of $6,636-million in 1973, $6,106-million in 1974, $6,176-million in 1975, and $6,301-million in 1976.

[2] Federal outlays for the food stamp program ($2.8-billion in 1974), other than payments for program administration ($136-million in 1975) have been reclassified from grants to direct federal payments.

[3] Annual average increase 1954 to 1964.

[4] Annual average increase 1964 to 1969.

SOURCE: ACIR staff compilation based on U.S. Bureau of the Census, *Governmental Finances*, various years; Budget of the United States Government, various years; and ACIR staff estimates.

Figure XV

Recipients' Program Discretion

DISTRIBUTION FORMULA	**Narrow**	**Broad**		**Unrestricted**	ELIGIBILITY
Discretionary	Project Categoricals	Target* Grants			*Broad*
Entitlement	Formula Based Categoricals	Block Grants	Special Revenue Sharing**	General Revenue Sharing	*Narrow*
	Narrow	**Broad**		**Unrestricted**	

Program Conditions
(Grantor Intrusiveness)

*This term refers to three Federal Programs enacted during the mid-1960s to assist state and local governments: community action programs authorized under the *Economic Opportunity Act of 1964*; the model cities program authorized by the *Demonstration Cities and Metropolitan Development Act of 1966*; and the *Appalachian Regional Development Act of 1965*. In their broad functional scope, target grants bear considerable similarity to block grants and even revenue sharing. Yet, their other traits – especially the "targeting" of assistance and stringent Federal conditions – resemble more the characteristics of some categoricals.

**This term refers to a number of Nixon Administration proposals for consolidating existing categorical grants into broad assistance programs largely devoid of Federally imposed program conditions beyond the most general specification of purposes and requirements for publicly open planning and performance evaluation by the recipient government itself without substantive Federal oversight.

Types of Aid and Amounts: An Overview. Over the decade, as the figures in *Table XIV* suggest, block grants grew from no percentage of the Federal assistance package to 10 percent (estimated) in FY 1975. Revenue sharing, obviously, had no share in 1966, and general support aid (largely shared revenues) had less than 2 percent of the 1966 total, but these forms of assistance rose to a combined share of about 14 percent for 1975. Meanwhile, categoricals of both the project and formula variety declined from 98 percent of the 1966 total to a little over three-quarters of the estimated 1975 outlays, even though their dollar amounts more than tripled over this ten year period.

For those who argue that flexibility and balance with the Federal assistance package require a more even three part division of total funds, these proportions provide scant encouragement. For those who sanction the continued dominance of the categorical device, they appear alarming. And, for those who worry little about the proportions in the mix but a great deal about the practical results, they are not terribly significant.

Some Characteristics of the Categoricals

Turning to the chief form of Federal aid, categorical grants jumped from 160 programs in 1962 to 379 in January 1967, to approximately 490 by one recent count and well over 600 by another. These numbers are impressive, but they must be handled with some caution, given the major problems associated with counting separate authorizations as against separate appropriations, with divergent sets of multiple programs authorized and appropriated under each. At the same time, these counts do give some idea of the scale of the growth in categorical grants since the early 1960s. With this growth has come the development of direct

Table XIV

FEDERAL AID BY CATEGORY, SELECTED FISCAL YEARS, 1966-1975

(in millions)

	Fiscal Years				
Category	1966	1968	1972	1974	1975 (estimate)
Revenue Sharing	–	–	–	$6,106	$6,176
General Support Aid[1]	$238	$294	$490	624	1,361[2]
Block Grants[3]	–	57	415	3,352	5,232
Specific Purpose Grants[4]	12,722	18,248	35,035	36,058	39,880
Total Federal Grants	$12,960	$18,599	$35,940	$46,040	$52,649

[1] Includes Federal aid to state, local, and territorial governments that is available for general fiscal support or is available for distribution among programs involving two or more budgetary functions when the distribution among those functions is at the discretion of the recipient jurisdiction. The types of aid included are payments in lieu of taxes, broad-purpose shared revenues, and the Federal payment to the District of Columbia.

[2] Includes proposed energy tax equalization payment.

[3] Includes total for block grants although a portion may be granted for specific projects under the discretionary allocation provided for by statute. Also, where outlays data are not available obligations have been used and adjusted where additional information is provided. Social services amounts included beginning with 1974 when formula allocation of funds was provided

[4] Includes target grants like Model Cities and the Appalachian Regional Commission program.

SOURCES: *Special Analyses Budget of the United States and Budget Appendix*, various years.

Federal-local grants, a departure from the earlier practice of providing fiscal aid to localities through the states. In dollar terms, the Federal-state grants are still predominant, but direct local aids account for much of the increase in number and variety of programs. Federal grants to local governments, and a large number of those to states, are on a "project" basis – *i.e.*, designed to help finance a particular project or operation that the applicant government must plan in a way to meet Federal statutory requirements, as administratively interpreted. Compared with the more traditional "formula" grants to states, the approval of aided projects is likely to involve a considerable degree of discretion by the grant administering agency (especially if appropriated funds fall short of total grant applications, as is frequently the case). This often causes controversy between Federal program specialists with their supporting interest groups on the one hand and elected state and local officials on the other.

As the number of project grants climbed from 160 in 1962, to 379 at the end of 1966, and nearly 500 by 1974, their proportion of all types of grants jumped from about two-thirds of the total to around four-fifths – and this trend is continuing, with well over 600 programs on the books now. But in dollar terms, these project categoricals constituted only about one-fifth of Federal aid in 1966 and about one-fourth of the total eight years later. Within the categorical sector, they accounted for about one-third of the outlays in 1974.

What this means is that the bulk of the criticism levelled against the categoricals over the past decade was directed against the most numerous, but less fiscally significant, type. The problems of overlap, duplication, excessive categorization, insufficient information, varying matching and administrative requirements, arbitrary Federal middle-management decisions, and "grantsmanship," after all, are largely byproducts of the growth in numbers, and this growth occurred chiefly in the project sector, where Federal discretion was expanded and the capacity of eligible recipients to hustle was a basic factor in achieving an award. But the dollar amounts have always been modest compared to the relatively few large scale formula-based grants.

All this is not to say that on-going efforts to streamline the categorical grant delivery system are not needed. They are. The A-85 procedures, the *Intergovernmental Cooperation Act* and the follow-up *Circular A-95*, the *Intergovernmental Personnel Act*, the Federal Assistance Review program and its resulting *Circular A-102* (now GSA's FMC 74-7) all are vital government-wide efforts to inject greater sense, standardization, and simplification in what otherwise would be, and sometimes still is, a grant management morass. Yet, the point still must be made that the need for these reforms was prompted largely by the proliferation of relatively small dollar grants.

Formula-based grants obviously expanded, also. Although the diversity among them is considerable, their numbers are manageable – all things considered – and their difficulties in terms of information gaps, expanded Federal middle-management discretion, and "grantsmanship" are infinitely less, because of their relatively predictable and precise distribution formulas. Moreover, since the bulk of these are Federal-state intergovernmental fiscal transfers, their administrative problems generally have been less difficult than those associated with project grants, where a much wider range of eligible recipients usually is involved. Governors and state legislators know pretty much what is involved in participating in formula grants.

From the grantor vantage point, the number of departments or agencies disbursing categorical grants grew from eight in early 1967 to 30 in 1974. HEW alone accounted for more than half of the grants in the earlier year, and a little less than half (48 percent) by the latter.

Still, the total of all these developments has complicated intergovernmental fiscal relations for all three levels of government. Hence, the Commission's basic recommendation for efforts toward a simpler Federal aid system with fewer, less diverse, and more broadly targeted categorical and functional grants that would serve recognized national objectives but would not stifle the exercise of responsibility by state and local officials.

Why this proliferation of categoricals? The rash of project grants stemmed from a number of factors. Some of these related to the goals that only this type of categorical can achieve – support of demonstration programs, encouragement of research, and economic development. In contrast, formula grants tend to be used for purposes of general stimulation, minimum program support, equalization and redistribution, spillover correction, state administrative improvement, and the achievement of broad national goals. And program support, recognition of special service needs, encouragement of planning, and promotion of social goals can be achieved through either type of grant, with the formula-based approach, of course, involving broader jurisdictional coverage.

Of course, some of the more practical and political factors prompting the use and expansion of categoricals are as significant as the more formal fiscal, administrative, and social goals cited above. Historically, much of their growth occurred in a period when reapportionment had yet to be realized, when most states were passive partners in the Federal system, and when most larger localities were making insistent demands on Washington. An hypothesis with considerable validity is that each categorical program is the product of a distinct coalition whose members have very different objectives in mind, are unable to agree on a comprehensive Federal program, and as a consequence, agree either on a single grant with conflicting or vague goals and requirements, or on an omnibus measure with a mix of diverse program efforts and grant authorizations.

In all this, the highly personalized politics of the Congress must be considered. The desire on the part of an individual senator or congressman, and ultimately of a majority of the members, to sponsor and enact measures that relate to highly publicized problems – in short, to provide leadership and initiate constructive action – is a perennial pattern of Congressional behavior. And this desire frequently encounters the fiscal problem of applying the program on a uniform jurisdictional basis. Out of this comes the project grant compromise with a statement of findings and purpose that usually is panoramic in scope, with small amounts authorized, and an even smaller appropriation, and with disbursement handled on a broadly discretionary basis.

Thus, the fundamental political reasons for the perennial popularity of categoricals are a combination of our pluralistic power system, the members' strong individual constituency orientation, and the relative weakness of national party mechanisms. Some would say categoricals are a prime characteristic of the Congressional system. Linked to this theory is the functionalist triad of middle management program specialists, subcommittee allies, and the sponsoring and supportive pressure groups.

On the positive side, various efforts – some successful – have been mounted to "streamline" the categorical delivery system and to consolidate some of the grants. And these were geared at least in part to strengthening elected officials and their generalist management allies at all levels.

But some negative trends have also taken place. Between 1967 and 1975, there have been frequent department reorganizations, attempts to implement executive branch programs without Congressional sanction, politicization of second and third-tier personnel levels in Washington and the field, plus authorization-appropriate gaps, vetoes, impoundments, and resulting court cases. These trends have confused the mission and damaged the morale of those charged by law with administering many of the categorical programs.

In 1967, ACIR recommended restricting categorical grants to Federal policy initiatives for research and demonstration, and to ongoing programs with specific objectives critical to the national interest. The Commission proposed, concurrently, that Congress enact legislation giving the President authority to consolidate categorical programs subject to legislative veto. But despite repeated introduction of such bills, and consistent support from organizations representing state and local government, implementing legislation has not been enacted, nor has the traditional reliance on the old categorical procedure been abandoned.

Indeed, in 1974 alone, over 30 statutes including new categorical assistance were adopted, involving more than 140 separate programs. A preliminary review of the 1975 record shows that still more of these programs have been created.

Block Grants

During the past nine years, five block grants have emerged (three of which are particularly directed to urban problems), and in combination they constitute a new, essentially middle sector in the Federal assistance package of the seventies.

Partnership for Health Act of 1966. PHA established a program to assist states and local communities, through Federal grants, in developing continuing planning processes to produce comprehensive plans for meeting health needs. Sixteen existing categorical grants for health services were consolidated into block grants on a formula basis for comprehensive health services and on a discretionary basis for directing funds to areas of greatest need.

Although PHA gave significant discretion to states and governors in developing their state health plans, in most states the administration of the program was placed in the hands of functional health officers, and the vertical link between Federal, state, and local health bureaucrats was maintained unbroken in many instances. By locating more than half of the required state comprehensive health planning agencies (CHP's) in existing independent or line agencies at least one step removed from the governor, many states missed a big opportunity to fold the new program into a comprehensive health planning effort, related at the top to other state programs and activities.

A major thrust of the CHP's has been to develop counterpart organizations at the substate regional level. Yet, only a few of those organizations were made to coincide with existing substate districts operating in other subject matter areas.

Omnibus Crime Control and Safe Streets Act of 1968.[60] The *Safe Streets Act* aroused considerable controversy in Congress over choice of priorities among police, correctional, judicial and other criminal justice activities. In 1972, Congress amended the act (P.L. 91-644), earmarking portions of the money for corrections and calling for a separate corrections plan. This was a step backward from the block grant concept, and ACIR has recommended its reversal.

The Housing and Community Development Act of 1974. HCDA was in many ways one of the most important actions of the Congress in 1974. The new law, signed by President Ford on August 22, 1974, to become effective January 1, 1975, carries a three year price tag of $11.3-billion. It consolidates ten categorical urban development programs. Merged were the previously separate model cities, urban renewal, neighborhood development, land acquisition, open space land, public facility loan, advanced planning grant, basic water and sewer facilities, code enforcement, and neighborhood facilities programs. It returns substantial program and priority discretion to local communities. And in an important provision, it sets up a program of rental assistance for low- and moderate-income citizens.

Communities are eligible for block grant funds if they are a city or twin city with a population of over 50,000. Urban counties qualify if they have a population (excluding cities) of at least 200,000 and if they are authorized by the state to carry out housing and urban development programs.

While the three year program of block grants for community development leaves communities much freedom in setting priorities, it does impose some Federal requirements. In order to receive development funds, a community must identify community development needs, formulate a plan to meet those needs, prepare a housing assistance plan, demonstrate conformity with civil rights laws, and demonstrate that citizens have had an opportunity to participate in formulating the funding application.

The Comprehensive Employment and Training Act of 1973. This act was signed into law in the last days of 1973 and took shape throughout 1974. It was designed to avoid the confusion and inefficiency involved in earlier Federal manpower programs which consigned program administration to community action agencies on the one hand, and to employment security and state vocational education agencies on the other. Instead, CETA calls on the Secretary of Labor to make block grants to 500 state and local governments to plan and operate manpower programs. The main vehicle used to clear up the dispute over program authority in CETA was the definition of "prime sponsorship." The prime sponsor is the political unit which receives block grant funds, develops a manpower training program, and carries it out. While the prime sponsor must receive approval for its plan from the U.S. Department of Labor and must be monitored on an ongoing basis by DOL, it is under no obligation to work with other state agencies or community action agencies. A prime sponsor may be a state, a unit of general purpose local government (city or county) with a population over 100,000, or a combination of units of local government including at least one unit of 100,000 or more persons.

By this definition, large cities may operate largely independent of state direction. Still, certain provisions of the law provide incentives for voluntary state-city collaboration. Special extra funds for vocational education and employment services are only available to prime sponsors pursuant to an agreement between the prime sponsor and the state board of vocational education. In addition, incentives for local collaboration are built in by providing that a consortium of any two or more local governments qualifying as a prime sponsor will receive 10 percent more than the sum of their normal allotments.

The Federal role in CETA is largely supervisory – both in prior approval of the plan and in subsequent monitoring to ensure that actual performance conforms to the plan and to the statutory requirements. The Federal government is also responsible for providing manpower services to "target groups" such as American Indians, for maintaining the job corps, and for establishing a National Commission for Manpower Policy. Another provision gives the Secretary of Labor a discretionary fund which can be used to make project grants.

Social Services. Title XX of the *Social Security Act*, enacted in January 1974, authorizes grants up to $2.5-billion per year to states for social services previously covered under the separate Aid to Families with Dependent Children (AFDC) and Aid to the Aged, Blind, or Disabled program. These grants are distributed by formula according to population, and the Federal government matches states expenditures at 90 percent for family planning and 75 percent for all other services. The program gives states flexibility and broad authority to operate services programs of their own definition and design.

Under the predecessor programs, a number of specific activities were mandated. Title XX requires only that a service directed at each of five broad-stated social goals be provided. Among these, at least three services, chosen by the state, must be available to adult recipients, and family planning services must be offered to AFDC recipients. States are permitted to use a single service to fulfill more than one goal and to provide different mixes of services in different parts of their jurisdictions.

Unlike the earlier social services program, Title XX does not provide detailed definitions of eligible services. It contains only an illustrative list, and prohibits the Secretary from challenging any state's definition of a service or from denying that a service is directed at one of the law's goals. States thus may describe almost any activity as a social service unless it is specifically prohibited under the law.

This broadened state discretion is carried forward in the accountability provisions. Previously, the Secretary of HEW had to approve a state's plan of services. Under Title XX the services planning process is subject to challenge by HEW, but the plan content is not. An approvable process is one in which the governor publishes annually and makes available for public review and comment a proposed comprehensive plan for services. After a minimum 45-day period for public reaction, the final plan is published.

Yet, the Title XX program does contain some fiscal restraints not in the earlier program. Amounts are specifically limited for certain types of expenditures, such as those for (1) medical and remedial care plus room and board which are integral but subordinate to the delivery of a service, (2) educational services, and (3) services to individuals living in medical care institutions or prisons.

Evaluation of the Record. Conceptually, as was noted at the outset, a block grant is supposed to embody at least five basic differentiating traits:

- it authorizes Federal aid for a wide range of activities within a broad functional area;

- it gives recipient jurisdictions fairly substantial program discretion;
- its administrative, fiscal reporting, planning and program requirements are geared to keeping grantor intrusiveness to a minimum, while recognizing the need to ensure that national goals are accomplished;
- its formula-based distribution provision narrows grantor administrative discretion and provides some sense of fiscal certainty for grantees; and
- its eligibility provision is fairly specific, relatively restrictive, and tends to favor general governments.

But, do these so-called block grants possess these traits? In terms of broad program scope and discretion, eligible recipients under the *Safe Streets Act* probably have the widest latitude. The functional scope of the act itself is broad, only a few other criminal justice related Federal grants have emerged, and only one functional earmarking within the LEAA authorization (for corrections) has been enacted (1970). By contrast HCDA, merged a number of previously separate HUD programs, but some very closely related categoricals clearly remain outside its province, including four major housing programs and the planning assistance program.

With PHA, closely related programs also were left out of the consolidation, mental health was earmarked originally and a separate section (Sec. 314e) was included for project grants to areas of greatest need and for stimulating initiative in developing new programs. Subsequently, this action of the act was used by both the Congress and the Administration to achieve specific national objectives in the health services delivery area, as in the case of the programs for rat control, neighborhood health centers, and health maintenance organizations. In addition, three separate but related categorical programs (the *Communicable Disease Control Amendments*; the *Comprehensive Alcohol Prevention, Treatment, and Rehabilitation Act*; and the *Family Planning Services and Population Research Act*) were enacted in 1970. The practical effect of all this has been the conversion of this block grant into a program with comparatively narrow functional focus.

CETA achieved a consolidation of 22 programs into two. Certain target and other grants, however, remain outside its perimeter. With social services, state discretion in the choice of services was greatly enhanced within a broad planning framework targeted on broad goals, but expenditure limitations are imposed on certain types of eligible activities.

What this analysis suggests is that recipient program latitude hinges on a pair of factors: (1) the degree to which the block grant covers a range of major functionally related program areas (through the merger of several categorical grants or by starting out with a whole servicing area); and, (2) the extent to which the block grant lacks internal special program or group earmarking as well as external but functionally related categorical competitors.

On the distribution question, all of the block grants have specific statutory based formulas with population and certain other indices of need being the most prominent factors used. With HDCA and CETA, participation in predecessor programs is also considered. Under the *Social Service Amendments*, a straight population format was adopted with the initial open-ended features being eliminated in 1972 by the establishment of an annual $2.5-billion ceiling.

Eligibility in SSA, PHA, and LEAA is restricted to states, with a required pass-through to localities in the last program. Eighty percent of HCDA block grant funds is restricted to certain metropolitan cities, urban counties meeting certain requirements,[61] while CETA makes cities and counties over 100,000 (individually or collectively)[62] eligible and the states for the balance of their respective jurisdictions. In these eligibility provisions, then, general governments are favored over special purpose and areawide units. The substantial bypassing of states by CETA and HCDA reflect the Federal-local character of their predecessor programs, while the exclusive or strong state role in PHA and SSA builds on earlier practice in these two fields.

The complicated question of conditions, in some respects, provides a fundamental test of whether a block grant is genuine or not. In theory, the administrative, programmatic, planning, reporting, and fiscal accountability requirements associated with this device are supposed to combine to produce a balance between national program goals, on the one hand, and minimal intrustion on and control over recipient government action, on the other. This is a delicate balancing act, and the statutory provisions of the grant do not always reflect even an initial attempt to achieve it. Moreover, the dynamics of the block grant process are such that it is difficult, if not virtually impossible, to gauge with any sense of certainty whether actual grantor relationships with grantees are strict, balanced, or permissive.[63] Though each of these programs has administrative requirements, they tend to be less burdensome than those in categorical programs, and HCDA's tend to strengthen elected officials of cities and counties in relation to the special districts previously assisted. Each program has some sort of required planning process, though the degree of substantive Federal review is by no means clear in all instances. What practice there is suggests that with HCDA,[64] at least at the outset, and with LEAA, CETA, and social services, this evaluation is largely *pro forma*. With PHA, state plans, since 1970, no longer are even required to be submitted for HEW review. Instead, a prepared contract form has been substituted, where a state certifies that it meets all applicable Federal legal requirements.

All of these findings regarding conditions and their impact should be treated as wholly tentative, pending an in-depth analysis of the subject by the ACIR in its current study of *The Intergovernmental Grant System: Policies, Processes, and Alternatives*. But, if judgments were to be made on the basis of this relatively fragmentary evidence, the following might emerge:

- Most of the five programs, at least superficially, meet most of the block grant "tests," yet, the five differ among themselves and one is close to the formula-based categoricals.
- The degree to which categoricals continue to compete in the same servicing areas as the block grants has a lot to do with the extent of real program latitude conferred upon eligible recipients.
- Developing block grants for local governments is more complicated than for the states, given the difficulty of recognizing in Federal law the range of fiscal and functional traits of the local governmental systems of the 50 states.
- Efforts by special interests and Congress to recategorize or earmark funds within the block grant are perennial and frequently successful.

These hesitant generalizations along with random impressions from the field suggest the following are appropriate questions to pursue when analyzing block grants:

- Do legislators and administrators understand that the program discretion inherent in merging categoricals confers, not just freedom from interference, but also the responsibility to do a better job of planning and service delivery?
- Do the performance standards generated by the recipient government's initial plan constitute a more appropriate approach to the program's objectives than procedures for coordinating separate categorical grants?
- Is it understood that eligibility provisions do not always tap the best recipients in any given situation and may engender unproductive organizational strife and adjustment periods?
- Do states adopt a less rigid categorical approach to handling block grants when they serve as a channeler — with discretionary power — of funds to their localities?
- Can, and should, legislators and administrators fight off the tendency to recategorize when specific interests within the functional area covered by the block grant lose out in the interplay of forces at the recipient government level?

Grant Simplification

Recognizing that Congressionally sanctioned grant consolidation into block grants still may not give enough leeway or flexibility, the Federal government has taken additional legislative and administrative action to help the confused and frustrated grant applicant.

To streamline, simplify, and speed up the flow of Federal assistance and to improve the responsiveness of the Federal government, President Nixon initiated the Federal Assistance Review (FAR). This was a governmentwide effort, conducted from March 1969, to June 1973, by OMB and 14 major government departments and agencies, to place greater reliance on state and local governments; to move Federal decisionmaking out of Washington and closer to the people; and to reduce red tape. Results of this program include:

- the establishment of common regional boundaries and locations for the major grant making agencies;
- the formal creation of Federal Regional Councils; and
- the development of uniform administrative requirements for grants to state and local governments.

The Joint Funding Simplification Act of 1974. Signed into law on December 5, 1974, this legislation authorizes Federal agencies to use a single application, single audit, and single point of Federal contact for related aid programs which the state and local governments want to plan and use together, even though they are administered by more than one Federal agency. The measure authorizes more extensive use of procedures already applied on an experimental basis under the Integrated Grant Administration Program.

The new act authorizes the heads of Federal agencies collectively to identify programs suitable for joint funding; to develop guidelines or model projects and common application forms; to modify administrative requirements which may impede jointly funded projects; to establish common technical or administrative rules with respect to jointly funded programs; and to create common application processing and supervision procedures, including a system for the designation of "lead agencies."

Other provisions permit the development of uniform procedures for financial administration and the scheduling of projects, and the review of applications by a single board or panel. To facilitate implementation, agencies may delegate their powers and functions with respect to jointly funded projects to other agencies and waive certain technical requirements of grant administration. Still, agency heads remain responsible for the proper and efficient management of projects funded.

Because the act places substantial administrative demands on the Federal agencies involved, it remains to be seen how widely it will be utilized.

Such legislation has long been on ACIR's agenda for grant management reform.

Federal Administrative Efforts at Grant Simplification. Similar grant simplification objectives were encouraged by administrative regulation in 1974. Newly issued General Services Administration (GSA) circulars now cover the three fields of agency requirement conformity that are crucial from the standpoint of grant recipients: administrative practices, cost principles, and audit procedures.

OMB Circular A-102 was reissued as FMC 74-7. It establishes uniform administrative practices for all Federal agencies in their grant relationships with state and local governments. Requirements governing procedures for payments, determination of matching grants, budget revisions, and grant close-out are all coordinated according to this circular.

A second GSA circular, the reissuance of *OMB Circular A-87* (FMC 74-4) establishes procedures for fixing the rate of reimbursement to state and local governments providing central support services to grantee agencies, among other provisions.

GSA Circular FMC 73-2, originally issued as *OMB Circular A-73*, promotes improved audit practices and encourages release acceptance by Federal agencies of non-Federal audits of grantees.

In addition, *OMB Circular A-98* (now administered by the *Treasury Department as Circular 1082*) prescribes a standard process and a standard form for providing timely and uniform notification of grant award data to recipient governments.

Changes in OMB Circular A-95.[45] On January 1, 1974, a revised version of *OMB Circular A-95* went into effect, and further revisions were developed in 1975 to become effective in February 1976. The circular is designed to coordinate Federal and Federally assisted projects with each other and with state, regional, and local plans through a "review and comment" process carried out by the states and by regional planning agencies, called "clearinghouses," designated by the governors and OMB.

Major changes in A-95 include the expansion of the list of programs covered to about 200, including a number of health, education, and manpower programs; encouragement of the use of officially designated substate district organizations and A-95 clearinghouses for as many other Federal aid programs as possible; a requirement that governors be given an opportunity to review any Federal aid requests based on a state plan; and a requirement that comments from individual jurisdictions at variance with clearinghouse views be attached to clearinghouse comments sent to the Federal agency involved.

The designation of new regional clearinghouses in 1973, 1974, and 1975 raised to 528 the number of A-95 units nationwide. This number, up from 422 in 1972, now represents more than 90 percent of the nation's population and 70 percent of the land area.

ACIR STUDY OF FEDERAL AID PROGRAMS

Concluding that the Federal government had gone a good way toward meeting its 1967 call for a new Federal aid mix, ACIR in 1974 concluded that it was time for a review of the objectives such a mix was designed to meet. This review is assessing the on-going debate over the use of general revenue sharing funds by state and local governments, the continuing confusion regarding the distinctive statutory and administrative features of the new block grants, and the continuing concern over the appropriate role of categorical grants.

In the spring of 1974, the Commission authorized the staff to begin work on a report concerning "The

Intergovernmental Grant System: Policies, Processes, and Alternatives." The purpose of the study is to evaluate the traditional and recent issues involving project, formula, and block grant programs, and to design ways of enhancing the effectiveness of these instruments. The role of the states as prime recipients of Federal assistance, as providers of services to their citizens, and as dispensers of aid (from their own and from Federal resources) to their localities also will be probed. In this, the Commission's 1969 report on *State Aid to Local Government* will be updated. In view of the Commission's recent study, *General Revenue Sharing: An ACIR Re-evaluation*, general revenue sharing will not be covered, except to recognize its role and magnitude within the intergovernmental grant system.

OTHER ACIR STUDIES OF FISCAL MATTERS

As urban financial needs mount, state and local governments are continually hard pressed to meet them. This causes them to consider a wide range of miscellaneous means to strengthen state and local revenue systems. ACIR has been concerned with these since its establishment. The Commission's first study looked to better coordination of Federal and state death taxes, while later studies have dealt with Federal income tax credits for state income taxes paid, the improvements in Federal aid to state and local capital financing. These three reports are briefly summarized below.

Coordination of State and Federal Inheritance Taxes

To increase the certainty and yield of the state revenue system the Advisory Commission on Intergovernmental Relations recommended to the Congress that the present flat rate Federal credit for death taxes paid to states be replaced with a more liberal two-bracket credit so as to allow a relatively high credit in the low tax brackets and a low credit in the remaining brackets. This approach would contribute significantly to the stability and size of state death tax revenues because small and middle-size estates are the hard core of the tax base. It would increase the revenues of the small, less industrialized states without excessively affecting revenues of high-wealth states.

Granting Federal Income Tax Credit for State Income Taxes Paid

In 1965, the Commission recognized that if the states were to make more intensive use of the personal income tax, especially in meeting expanded revenue needs occasioned by urbanization, it would be necessary for Congress to amend the *Internal Revenue Code* so as to give Federal income taxpayers an option either to (a) continue itemizing their income tax payments to state and local governments or (b) claim a substantial percentage of such payments as a credit against their Federal income tax liability. The report also included various recommendations for increased Federal-state cooperation in income tax administration. Congress has not adopted the credit approach. The *State and Local Fiscal Assistance Act of 1972* provided for Federal collection of state income taxes under certain conditions, but the states have not met these conditions.

Federal-Aid to State and Local Capital Financing

An increasingly affluent and mobile urban society requires state and local government to construct ever more capital projects such as schools, sewage treatment plants, and mass transit systems. Coupled with the rise in prices, this demand has sent capital outlays soaring. States and localities spent about $20-billion for capital facilities in 1965; about $30-billion in 1970; and probably more than $40-billion in 1975.

State and local governments look to three sources for capital project financing: current revenues (taxes and user charges), Federal aid, and the municipal bond market. As much as two-thirds of the financing comes from the latter two, Federal aid and tax exempt bonds. In a year-long study — *Federal Approaches to Aid State and Local Capital Financing*[66] — the Commission focused on the difficulties which states and localities experience in raising this money.

Three major factors contributing to the problem were isolated:

- inflation and skyrocketing interest rates on tax exempt bonds;
- unpredictable flow of Federal aid appropriations; and
- reluctance of many states with stronger financing capacity than their localities to "buy-into" community construction projects. Eight recommendations were made to alleviate the problem.

Stabilizing the Cost of Borrowing. The Commission prefaced its three recommendations on reducing and stabilizing the cost of borrowing with its opposition to Federal tampering with the tax exempt market, but then called for (1) support by officials at all levels of government of a strong anti-inflationary policy as a necessary first step to restore investor confidence in all fixed income securities and to increase the flow of savings to the nation's long-term credit markets; (2) Congressional adoption of the lump sum payment approach as the instrument for the financing of future Federal aid commitments rather than the traditional "installment payment" plan of Federal debt service grants; (3) the establishment as a pilot operation of a Federally subsidized authority to lend funds to those jurisdictions that are unable to borrow – at the reasonable rates – the necessary money to cover their share of environmental control projects. This authority would, in effect, buy and hold the local bonds and finance these holdings by selling its own bonds in the taxable market. This method would supplement – not supplant – the primary tax exempt bond market.

This proposal would offer interest rate savings to state and local governments at no cost to the Federal government, because the authority would pay for itself. It would not infringe on the tax exempt market because it would be up to each community in each instance to decide whether to go the tax free route or apply to the authority. There would be no new Federal strings, because the authority would be merely a financing mechanism and establish no new regulations. It would seem particularly helpful to lower rated communities during tight money periods, when it would enable completion of projects that would otherwise have to be deferred or abandoned.

Increasing Federal Aid Certainty. Three further recommendations were made on increasing Federal aid certainty. The Federal budget and appropriations cycles have been plagued by late action. Often major appropriations have not been enacted until October – one-third of the way into the fiscal year. To avoid "payless paydays" and enable the government to function, Congress has adopted "continuing resolutions," permitting Federal agencies to spend at the previous year's authorized level (or at a lower level in some instances). Many Federal agencies, therefore, have operated blindly well into the next year; and state and local governments have been put in an even more difficult position. School systems have been especially vulnerable because they must contract with teachers far in advance of the school year and set property tax levies early in the year. When Congressional appropriations have finally materialized, these school programs often have been faced with sudden curtailment or expansion, because the levies have been set too low or too high.

To combat tardiness, ACIR recommended (1) that Congress adopt a rigorous timetable for dealing with appropriations and related authorizations (which it did in the *Congressional Budget and Impoundment Control Act of 1974*); and (2) that the President in cooperation with the governors establish procedures for voluntary state action designed to cut back or accelerate capital expenditures in accordance with mutually established priorities. It recommended this latter procedure to replace cut backs in Federal aid as a national countercyclical policy.

The Commission also recommended adoption of a multi-year advance budget plan. Under this system, the President would include a specific multi-year plan for Federal aid programs in his annual budget request, and Congress would provide advance obligational authority in appropriations acts. Under ACIR's proposal, only programs with adequate experience would be eligible for such advance spending authority, and it was recognized that there might be additional programs over the coming years that would lend themselves best to trust fund financing. The multi-year budget plan would retain Presidential and appropriations committees' responsibility for overall fiscal oversight, but it would also provide state and local officials substantial assurance that Federal dollars promised would be forthcoming at the proper time.

State Contributions to Federal Aid. Finally, two recommendations were made to encourage state financial participation in Federal aid projects: (1) that the Federal government provide a firm legal commitment – with certain limitations – to reimburse states and localities for sums advanced to pay the Federal share of local project costs; and (2) that Federal financial incentives be provided for states to buy into Federally aided community development projects, similar to the 1966 waste treatment facilities legislation, which provided a bonus for states that bought into the program in the form of a higher Federal matching percentage.

URBAN FISCAL PROBLEMS AND THE ECONOMY

This roundup of Commission recommendations to improve fiscal relations in metropolitan areas testifies to the fact that our Federal system can thrive only by unremitting the efforts on the part of all levels of American government to adjust to changing circumstances. The growing fiscal disparities among jurisdictions in our great metropolitan areas constitute the starkest challenge to Federalism — a system designed to provide both wide scope for decentralized decision-making, on the one hand, and a tolerable relationship between fiscal needs and resources on the other.

The prospect of achieving long term fiscal balance is obviously dimmed by the economic recession of the mid-1970s. At a time when attention is being devoted primarily to "holding on," attention to major changes can be expected to diminish. Nevertheless, the recession did lead the mayors of many cities to argue that new funds were needed urgently to combat growing unemployment, lengthening welfare roles, increasing crime, and a breakdown of municipal services arising from strains in the national economy. This led to serious consideration of proposed legislation for intergovernmental countercyclical assistance. Federal policy may well need to include a standing program of Federal assistance to state and local governments during times of economic hardship, so as to reduce reliance on their own budgetary actions which undermine national economic policy — such as raising state and local taxes, reducing operating expenditures, for deferring or canceling capital projects.[6,7]

Achievement of the grant reform objectives set out by the Commission attract only secondary interest when the nation's economy is unhealthy.

FOOTNOTES

[1] See *Chapter III* of this study for an analysis of the assignment of functions.

[2] A Commission analysis of local government spending and employment in Ohio, New Jersey, and Texas suggested that for cities in the 25,000 to 250,000 population range, size more often than not had no effect on per capita spending and employment. But the effects of population size showed up clearly for larger municipalities. Comparing average expenditures and employment in small versus larger cities, it appeared that for most functions of a typically local nature, the larger municipalities spent or employed more per capita. See ACIR, *Urban and Rural America: Policies for Future Growth* (A-32), (Washington, D.C.: U.S. Government Printing Office, 1968), p. 52. Also see: ACIR, "Size Can Make a Difference — A Closer Look," *Information Bulletin No. 70-8* (September16, 1970), and Elgin,Thomas, Logothetti and Cox, *City Size and the Quality of Life*, a report prepared for the National Science Foundation by the Stanford Research Institute (Washington, D.C.: U.S. Government Printing Office, 1974).

[3] A National League of Cities spokesman, quoted in *New Jersey Municipalities*, April 1974, p. 11.

[4] ACIR, *City Financial Emergencies: The Intergovernmental Dimension* (A-42), (Washington, D.C.: U.S. Government Printing Office, 1973).

[5] *The New York Times* (September 23, 1974), p. 11.

[6] Werner Z. Hirsch, *et. al.*, *Fiscal Pressures in the Central City: The Impact of Commuters, Nonwhites, and Overlapping Governments* (New York, 1971).

[7] ACIR, *City Financial Emergencies* (A-42), (Washington, D.C.: U.S. Government Printing Office, July 1973), pp. 132-143.

[8] ACIR, *Fiscal Balance in the American Federal System* (A-31), (Washington, D.C.: U.S. Government Printing Office, 1967), Vol. 2, p. 243.

[9] Prior to 1970, annual data on governmental finances had been gathered only for the 37 largest metropolitan areas. As of 1970, the U.S. Bureau of the Census broadened its annual survey of metropolitan finances to the 72 largest metropolitan areas.

[10] The effect of local tax differentials on industrial location within a metropolitan area was underscored in ACIR's report, *State-Local Taxation and Industrial Location* (A-30), (Washington, D.C.: U.S. Government Printing Office, 1967), pp. 78-79. The relative importance of the tax differential factor in industrial location decisions appears to increase as the location process narrows down to a particular jurisdiction within a general region. As among regions of the country, the non-tax factors such as access to markets and to labor and comparative transportation and supply costs stand out as the primary location considerations. As between neighboring states, there appears to be no direct relationships between industrial growth and tax differentials, due largely to the fact that states are careful not to get "too far out of line" with their immediate neighbors. As among local governments within a state and especially within a metropolitan area, tax differentials exert discernible plant location pull — the industrial tax haven stands out as the most conspicuous example. In almost every metropolitan area there exist wide local property tax differentials — a cost consideration that can become a "swing" factor in the final selection of a particular plant location.

[11] *The New York Times* (January 20, 1975), p. 26.

[12] Executive Office of the President, Office of Management and Budget, *1974 Catalog of Federal Domestic Assistance* (Washington, D.C.: U.S. Government Printing Office, 1974).

[13] The Commission also recommended the introduction of a "systems approach" in state grants to local governments and the authorization and encouragement of local governments to adjust fee and user charges annually to reflect at least changes in financial costs, as well as to provide technical assistance and consultation to local governments as to appropriate methods, areas, and rates of charges. These recommendations are not discussed further in the text.

[14] In addition to the items listed below, the Commission also recommended the the Federal government explicitly authorize state governments to impose a sales tax on firms making sales in states where they maintain no place of business, with such taxes including the state rate plus a single local rate, thus enhancing the revenue possibilities of sales taxes; that the Congress amend the *Buck Act* and the *Soldiers' and Sailors' Civil Relief Act* to authorize the imposition of state and local sales and excise taxes on sales at post exchanges and commissaries and to provide withholding of state and local income taxes on military pay at the location earned, thus eliminating distinctive military and civilian classes of citizenship for tax purposes; that the Federal government facilitate the use of local income taxes by withholding such taxes from

the paychecks of Federal employees; and that the Federal government define its role in treating and preventing financial emergencies. These recommendations are not treated further in the text.

[15] See Table 3 in *Report on National Growth and Development*, Second Biennial Report to the Congress submitted pursuant to Section 703(a) of Title VII, *Housing and Urban Development Act of 1970*, prepared under the direction of the Committee on Community Development, The Domestic Council (Washington, D.C.: 1974).

[16] ACIR, *Fiscal Balance in the American Federal System*, Vol. 2 (A-31), (Washington, D.C.: U.S. Government Printing Office, 1967), p. 9.

[17] For a draft bill, see *ACIR State Legislative Program*, "Part IX Education" (M-100), (Washington, D.C.: U.S. Government Printing Office, December 1975), Bill No. 9.002.

[18] ACIR, *Metropolitan Social and Economic Disparities: Implications for Intergovernmental Relations in Central Cities and Suburbs* (A-25), (Washington, D.C.: U.S. Government Printing Office, January 1965), p. 125.

[19] ACIR, *Fiscal Balance in the American Federal System*, Vol. 2, (A-31), p. 11.

[20] ACIR, *State Aid to Local Governments* (A-34), (Washington, D.C.: U.S. Government Printing Office, April 1969), p. 20.

[21] ACIR, *Financing Schools and Property Tax Relief: A State Responsibility* (A-40), (Washington, D.C.: U.S. Government Printing Office, January 1973), and *ACIR State Legislative Program*. "Part IX. Education" (M-100), (Washington, D.C.: U.S. Government Printing Office, December 1975), Bill No. 9.001.

[22] ACIR, *State Aid to Local Government* (A-34), p. 14.

[23] *ACIR, State Legislative Program*, "Part IX. Education" (M-100), (Washington, D.C.: U.S. Government Printing Office, December 1975), Bill No. 9.001, has been drafted to implement this recommendation.

[24] ACIR, Report A-40 (January 1973).

[25] *The New York Times* (February 5, 1975), p. 31.

[26] *Ibid.*, p. 57.

[27] *Ibid.*

[28] ACIR, Report A-27 (Washington, D.C.: U.S. Government Printing Office, October 1965), p. 14.

[29] Connecticut, New Hampshire, and Tennessee have income taxes on all or part of non-wage income only and New Jersey taxes the wages and salaries of non-residents of states that tax the wages and salaries of New Jersey residents who work in those states.

[30] ACIR, Report A-47 (Washington, D.C.: U.S. Government Printing Office, October 1974).

[31] ACIR, Report A-14 (Washington, D.C.: U.S. Government Printing Office, October 1962).

[32] ACIR, *ibid.*, p. 6.

[33] *Ibid.*, pp. 6-9.

[34] *ACIR State Legislative Program*, "Part III. State and Local Revenues," (M-100), (Washington, D.C.: U.S. Government Printing Office, December 1975), Bills 3.101, 3.103 and 3.105.

[35] ACIR, Report A-17 (Washington, D.C.: U.S. Government Printing Office, June 1963). See the recent reprint of the Commission's recommendations in *Real Property Tax Reform*, an action packet designed to assist and encourage the re-evaluation of existing property tax laws.

[36] ACIR, *School Financing and Property Tax Relief – A State Responsibility* (A-40), (Washington, D.C.: U.S. Government Printing Office, January 1973).

[37] ACIR, Report M-87 (Washington, D.C.: U.S. Government Printing Office, February 1975). In addition to survey findings, the report discusses key policy variables which policymakers must choose in designing or revamping a circuit-breaker program. Another section considers some basic criticism leveled against circuit-breakers.

[38] ACIR, Report M-83 (Washington, D.C.: U.S. Government Printing Office, March 1974).

[39] Ronald B. Welch, *The Property Tax of Tomorrow*, a paper prepared for the National Conference on American Federalism in Action, Washington, D.C., February 21, 1975, mimeo.

[40] For detailed analyses of how the states had responded to the need for property tax reform, see ACIR, *The Property Tax in a Changing Environment: Selected Case Studies* (M-83), (Washington, D.C.: U.S. Government Printing Office, March 1974).

[41] *Metropolitan Social and Economic Disparities. . . .*, ACIR Report A-25, *op. cit.*, p. 124.

[42] ACIR, *State Aid to the Federal Government* (A-34), (Washington, D.C.: U.S. Government Printing Office, April 1969), p. 24.

[43] *Ibid.*, p. 25.

[44] *Ibid.*, p. 27.

[45] *Ibid.*, p. 28.

[46] A draft bill has been prepared to carry out these recommendations. See *ACIR State Legislative Program, Part 4, Fiscal and Personnel Management* (M-100), (Washington, D.C.: U.S. Government Printing Office, December 1975), Bill 4.109.

[47] ACIR, *Federal-State-Local Finances: Significant Features of Fiscal Federalism* (M-79), (Washington, D.C.: U.S. Government Printing Office, February 1974), pp. 73-82.

[48] ACIR, *City Financial Emergencies: The Intergovernmental Dimension* (A-42), (Washington, D.C.: U.S. Government Printing Office, July 1973).

[49] ACIR, *State Constitutional and Statutory Restrictions on Local Government Debt*, (A-10), (Washington, D.C.: U.S. Government Printing Office, September 1961), pp. 4-5.

[50] See Table 93, pp. 143-152; *Federal-State-Local Finance, op. cit.*, ACIR Report M-79, for a list of State restrictions on local governmental borrowing powers as of 1971.

[51] *Metropolitan Social and Economic Disparities. . . .*, ACIR Report A-25, *op. cit.*, p. 126.

[52] *Congressional Record* 118:14008 (April 24, 1972).

[53] *Code of Federal Regulations*, Part 45, Section 233.20(11).

[54] ACIR's 1970 Information Report, *Revenue Sharing – An Idea Whose Time Has Come* (M-54), (Washington, D.C.: U.S. Government Printing Office, December 1970).

[55] *General Revenue Sharing – the First Actual Use Reports*, March 1974, and *General Revenue Sharing: Reported Uses 1973-1974. A Tabulation and Analysis from Actual Use Report 4.*

[56] ACIR, Report A-48 (Washington, D.C.: U.S. Government Printing Office, December 1974).

[57] See *General Revenue Sharing and Civil Rights*, Office of Revenue Sharing, U.S. Treasury Department, November 1974.

[58] See Paul R. Dommel, *The Politics of Revenue Sharing* (Bloomington, Indiana: 1974); "Symposium on General Revenue Sharing," *Public Administration Review*, March/April 1975, pp. 130-157; "General Revenue Sharing and Federalism," *The Annals of the American Academy of*

Political and Social Science, May 1975 (entire issue); Richard P. Nathan, Allen D. Marvel, Susannah E. Calkins *et. al.*, *Monitoring Revenue Sharing* (Washington, D.C.: 1975), and "How Fares Revenue Sharing?." *The Brookings Institution*, Winter 1975, pp. 1-3.

[59] ACIR, Report A-31, Vol. 1 (Washington, D.C.: U.S. Government Printing Office, October 1967), pp. 5-6.

[60] See also Chapter III.

[61] The effort to develop appropriate eligibility requirements for urban counties was a lengthy one and the state legal hurdles facing some of these ostensibly eligible units are still high.

[62] The comparative "openness" of this provision has generated significant implementation problems.

[63] The same, of course, can be said of many categorical programs. See, for example, Jerome T. Murphy, "Title I of ESEA: The Politics of Implementing Federal Education Reform," *Harvard Educational Review*, Vol. 41, No. 1 (February 1971).

[64] HCDA's legislative history suggests that a more substantive review is contemplated through time.

[65] George J. Gordon, "Office of Management and Budget Circular A-95: Perspectives and Implications," *Publius*, Winter 1974, pp. 45-68.

[66] ACIR, Report A-36 (Washington, D.C.: U.S. Government Printing Office, September 1970).

[67] Senator Edmund Muskie, *Congressional Record* 121:S4191 (March 18, 1975).

Chapter III

Improving Services in Urban America

As has already become evident in this report, local governments play a major role in the delivery of domestic public services in the United States. Those governments presently face greater challenges than ever before in our history, with urban population problems and service demands emerging and growing at a rate far greater than the legal, structural, and financial capacity to deal with them. In fact that capacity is being weakened by increasing fragmentation in many places. These trends dramatically illustrate the triple mismatch between fiscal resources and human needs, between political boundaries and the services required by population settlement patterns, and between the states' constitutional roles as "parents" of these units and their slowness in understanding and responding to local government needs.

In *Chapter II* of this study, the first part of the mismatch has been analyzed. This and the next chapter are concerned with the other two parts – the mismatches (1) between urban jurisdictions and service demands and (2) between state responsibility and state action. The role of the national government in correcting these mismatches is given attention in both chapters.

DECIDING WHO SHOULD PROVIDE URBAN SERVICES

There are no "natural" urban functions for which local governments are responsible. This is in sharp contrast to the cases of sovereign states in the international community or of states in a federation. It is expected of a national government, at the least, that it will protect the nation from foreign enemies and preserve internal harmony, and it is expected that states in a federation will assume whatever domestic functions the power of the national government does not extend to. But local government, at least in the United States, does not partake of any part of sovereignty. Not only does local government owe its very existence to state action, but it can claim no functions as its own save those delegated to it by the parent state government. Thus, both the form of local government and the nature of local functions are largely the product of state action.

Indeed, the development of the structure of local government and the assignment of local functions are intimately related.

The Unsystematic Evolution of Local Government and Urban Functions

As William Seal Carpenter observed in the opening sentences of his trailblazing *Problems in Service Levels*[1] in 1940:

> Political theory affords few principles through which to explain the development of local government in the United States. . . . [I]n contriving their institutions of local government from the days of the first settlements the [colonists] [were] confronted with very practical problems. Solutions [were] found . . . . in experience rather than in philosophy.

The legal basis of American colonial government was derived from the various charters granted by the Crown which had to do with the making "of rules for the disposition of the land and the ordering of its inhabitants." They were essentially corporate charters to trading companies made into instruments of government by the practical necessity of circumstances. By their very nature, they were limited in scope. Almost at once some element of popular consultation, if not of participation, was demanded, and remarkably quickly the effective power to raise taxes to provide the means of accomplishing colonial objectives began to slip over to the General Court, first in Massachusetts and then in the other colonies. Once the legislatures in the American colonies began to exercise the power of taxation, they began to broaden the scope of their powers.

> Along with the doctrine of the supremacy of the legislature there developed the theory that government rests upon the consent of the governed. The responsibility of representatives to their constituents was secured through annual elections and the practice of instructions.

Simultaneously, it began to be required that a representative must be a resident of the district he represented, and though "the grant of representation in the colonial assemblies was a prerogative of the Crown, many of the colonists came to regard it as a part of their British liberties."

Representation was naturally conceived in local, as opposed to colony-wide, terms. The county early came to be, and long remained, the unit of local representation – and so of local government in the functional sense – in Virginia, Maryland, and the Carolinas. Instructions to the royal governors in these colonies repeatedly urged "the establishment of towns or townships . . . to give greater security to the settlers, but the instructions were not carried out by the legislatures. . . ." Neither in Virginia nor in the other Southern colonies did towns come to exist until the chartered boroughs were incorporated in the 18th century.

In New England, of course, a church covenant was the basis of each early community. Thus, towns were coterminous with church membership. The primary role of the congregation, in a civil sense, was to tend to the care of piety and religion. Counties were soon created in New England as well, to provide a structure of local government for the entire area of the colony.

With the development of towns and counties, colonial assemblies in New England began to assign functions to them as particular needs arose and assignments could be agreed upon. In Massachusetts and elsewhere in New England, counties were first made units for judicial administration, and then later for the construction and maintenance of public roads and bridges as well. In Connecticut, the county was assigned a military training function. The relief of the poor in Massachusetts was given to the towns.

However, poor relief was available only to those persons resident in a town over a period of time. Many new settlers were destitute long before they acquired legal residence there. The Massachusetts General Court authorized the county judges to determine whether the overseers of the poor in the towns were responsible for the relief of doubtful cases and, if not, to accept them as a charge on the province. "Thus the county in Massachusetts became entrusted with a variety of public services which the towns were unable satisfactorily to perform."

The situation in the middle Colonies was somewhat different. Counties were assigned judicial administration in 1691 in New York, and though in 1703 a law was enacted creating representative boards of township supervisors, to which was entrusted "the fiscal administration of the county . . . other administrative functions were lodged with the justices of the [county] court of sessions."

In New Jersey both towns and counties were created, the latter chiefly with a judicial role in mind. In Pennsylvania, Penn's charter divided the colony, which then included Delaware, "into six counties which became not only judicial districts but also units for general civil and financial administration."

Once this general pattern of local government had been established in the colonies, it was not departed from. Existing units were subsequently divided or combined, and new units formed, sometimes upon petition by the inhabitants, at other times at the discretion of the legislature, as the colonial legislatures sought to meet service needs on the one hand and demands for representation in the legislature on the other. At first, service needs were most often perceived only in the areas of defense, primarily against the Indians, judicial administration, and religion. Indeed, in acting to meet the need for churches for isolated settlers, the Massachusetts General Court resorted to the creation of the first special district, usually called there and elsewhere in New England, a parish. By an act of 1702, "the inhabitants of each district or precinct, respectively, regularly set off from any town, shall be and are hereby empowered to name and appoint a clerk, as of right towns by law have; and also assessors for the assessing and raising maintenance and support for the minister of said district or precinct, and to make out a warrant, in form as by law prescribed for town rates or assessments, directed to the constable of the town or district. . . . " In 1752, a portion of the Town of Salem, Massachusetts, was created into "a distinct and separate district by the name of Danvers," its inhabitants to enjoy all the powers, privileges and immunities of a town except separate representation in the general assembly. Special districts were also utilized in Connecticut.

Whatever the unit, and however it came into being, units of local government in the American colonies "existed as agents of the province to supply those local services which the colonial legislatures wished to have performed." Although the device of instructions was used generally, and though representation in the colonial legislatures was used to meet the needs of individual local units, local governments were not considered to be service units for their own inhabitants but as the devices by which the colony served the interests of the people as a whole. Thus, except for the few services delegated to local governments, the service function was regarded as lodged at the colonial level, and the administration of even the delegated local services remained a central concern of the colonial legislature.

> State constitutions framed following the Declaration of Independence continued the most important forms of local government that had existed in the colonies. Towns in New England and the Middle states and parishes in the Southern states were not mentioned in most of the constitutions, although it was expected that they would be continued. In many of the constitutions the county was mentioned and some departures from colonial methods were made. Long before the opening of the West with its opportunities for political experimentation, the system of local government had been firmly established upon the colonial precedents. While frontier conditions occasionally offered some stimulus to novelty, the tendency among the Western states was to reproduce the political institutions of the Atlantic seaboard.[2]

"When greater permanence of habitation was secured and larger investments of capital were concentrated in towns and counties, people sought through . . . local units of government to receive for themselves more public services and greater benefits from local revenues." The rapid creation of new units of local government throughout the 19th century was in direct response to "the development of local sentiment which [sprang] from community solidarity." Each community – whether a county, town, or township – sought to obtain a package of services which suited its people, (though it is arguable that often it was land speculators rather than the people who pushed for the creation of new communities). In any case, "[c]ommunity welfare [was] too often narrowly defined in terms of the special interests of local groups and units of local government [were] too often made to serve the exigencies of partisan politics." Indeed, the development of political parties as essentially local units linked only loosely together for broader state and national purposes was an early hallmark of American history. It was in the interests of aspiring politicians to broaden the unit base of party organization as rapidly and as effectively as possible. All of these facts combined to produce the impelling need for a "readjustment of local areas and services."

It has been difficult over the years to meet that need, and it is even more difficult today. The hold of the tenets of Jeffersonian democracy on the American people has been tenacious. Those tenets emphasized the danger of letting control of local government and with it, the performance of urban services, get too far from the individual community. As Vernon L. Parrington pointed out in explaining Jefferson's feeling, "He sprang from a society deep-rooted in an agrarian economy; and he wished to preserve that society. Born on the Virginia frontier, he had never seen a hamlet so large as 20 houses before his 18th year; his neighbors and associates were capable and vigorous frontier democrats, who managed the affairs of local government with the same homespun skill that went to their farming."[3]

Most early Americans had the same experience, so 19th century state constitutions uniformly provided safeguards securing the people in their right to make decisions in local affairs. The initially gradual and then rapid change to an industrial society did nothing to shake the American faith in the Jeffersonian dictum. As the country grew, Professor Carpenter found, it was "easy to argue for the creation of new units of local government where these served to bring local services more directly under popular control." It was not realized then, Carpenter thought – nor indeed is it widely understood now –

> that a multiplicity of governmental units tends to defeat efforts to obtain economy and efficiency in the conduct of public affairs. Communities are created which have neither the population nor the tax-paying capacity to support the essential local services. Within these communities the ends of local self-government cannot be achieved and the democratic ideal becomes impossible of fulfillment.

The Role of the National Government: Functional Ambiguity

But the Jeffersonian thrust downward to the people was not the only one in American political thought. Though it triumphed in the Articles of Confederation, part of the argument leading toward the Constitutional Convention of 1787 and the realignment it produced in the nation's system of government was based on the need of a strong central government "competent to the public exigencies," able to unite the states and direct their common forces toward "the interest and happiness of the whole."[4] That spirit triumphed in the convention and resulted in the inclusion of Article I, Section 8, of the Constitution, which singled out the functions the framers could agree on as belonging, at least in part, to the new national government. There, Hamilton wrote later, "The people of the United States . . . established a government for the management of their general interests . . . ." (Hamilton's essay on the Whiskey Rebellion, 1795.) Those interests were thought to be at least . . .

- the regulation of commerce,
- the establishment of uniform naturalization and bankruptcy laws,
- fixing standards of weights and measures,
- coining money and punishing counterfeiting,
- the establishment of post offices and post roads,
- providing for patents and copyrights,
- governing the national capital district, and the
- making and carrying on wars.

Besides granting the national government specific powers to manage these interests, the framers also gave the new government the power to tax, to borrow, and to establish a monetary system to support the provision of those services.

It was not easy, though, to distinguish clearly how to separate functions to be handled by the national government from those which should be shared or left to state and local units. The framers attempted to cover the national interest by going on to provide in Article VI, Section 2, that the laws of the United States passed "in pursuance" of the Constitution should be "the supreme law of the land . . . the judges in every state [to be] bound thereby, anything in the constitutions or laws of any state to the contrary notwithstanding." And to be sure that there was sufficient latitude for the national government on a constitution designed for the ages, the 18th Clause of Article I, Section 8, was included giving Congress power to "make all laws which shall be necessary and proper for carrying into execution" all the powers vested by the Constitution in the national government. Later, in deference to strong state and local feeling, the Tenth Amendment was added, reserving those areas not delegated to the national government or prohibited either to the national or the state governments, or to both, to the states or to the people thereof.

The general wording of Article I, Section 8, the inclusion of the supremacy clause, the vague award of implied powers in Clause 18, and the ambiguity of the

Tenth Amendment, all left it to the judiciary to determine, finally, the propriety of specific national actions, and from John Marshall's term as Chief Justice (1801-1835) to now, the combined action of the Congress and the Supreme Court has broadened extensively the range of national power *vis-a-vis* that of the states.

But, if the Constitution and ensuring Congressional and Supreme Court decisions have provided an expanded area of functional activity for the national government, it was an area determined by the same forces that earlier had determined the assignment of functions to colonies, the states, and their local subdivisons: namely, the forces of popular demand as registered at the ballot box and through the informal pressures of a democratic society.

Those forces could not help but be weighted in the early days toward the interests of an agricultural population and so toward state responsibility for action. Indeed, there is nothing in the entire Constitution to suggest the propriety of national intervention in local or urban affairs (with the exception of the clause in Article I, Section 8, concerning the District of Columbia). For a long time, the national government remained concerned primarily with foreign affairs and national defense, chiefly defense against the Indians on the frontier, and with the disposition of the vast amounts of public land surrendered by the states to the national government at the outset. There was no occasion to conceive of the national government as a provider of services for either its urban or its rural citizens.

For that matter, the states themselves were not heavily involved in this direction. They were chiefly concerned with such matters as the maintenance of law and order, the establishment of courts for the settlement of disputes, and the registration of land titles. By and large, the few services of government to America's urban areas were performed by the cities and towns themselves. Cities built docks, constructed elementary water works – more often than not the town pump – built crude sewerage systems, constructed rudimentary streets, and began municipal lighting systems, if only by requiring every seventh householder to hang out a lantern on moonless nights.[5]

> When, however, urban population started to increase rapidly, as it did in the second quarter of the 19th century, the activities of cities began to grow in number and extent . . . . Three forces . . . contributed to this growth, in proportions which it is impossible to determine: (1) the size and congestion of cities themselves; (2) the progress of science and the arts; (3) the development of social and civic ideals.[6]

The building of the railroads, the great influx of immigrants, and the steady movement of the frontier westward carried urbanization and its attendant problems across the continent[7] and made them increasingly national in impact.

By the second quarter of the 20th century, the Federal government came to have interests arching over the whole range of urban functions. Indeed, no change in American government has been as dramatic as that in the relations of the national government with local communities. The Great Depression was the most notable turning point. It forced the Federal government to act where beleagured states and cities could not to meet the dire needs of the American people. Those needs were greatest in urban centers. In response to the "tin cup" parade of mayors and governors to Washington, the Federal government began to initiate vast urban welfare and public works programs. Once the ice had been broken, Federal action continued. World War II and its aftermath of continued crises served to extend the range of Federal intervention into other areas of activity. Where once it had no connection at all with urban development, today the Federal government finds itself, through its fiscal policies, grants-in-aid, subsidies, regulations, research activities, and development programs, heavily involved in the provision of urban services.

Many of its activities, to be sure, are concerned with services to people, wherever they may live. General welfare assistance, old age and survivors insurance, repression of crime, and control of communicable diseases, for example, concern every American whether he lives in the city or in the country. The same thing is true of vocational education and rehabilitation, disaster relief, and employment security. Even so, the Federal government has come to rival state and local governments themselves in the urban service field, with extensive programs in the areas of housing, water resources and water pollution control, airport, highway, and mass transit facility construction, recreation, education, health, and other major functional areas.

The extent of Federal involvement became a great concern during President Eisenhower's Administration. In a March 30, 1953, message to the Congress the President recommended (and the Congress subsequently approved) creation of a Commission on Intergovernmental Relations to examine the role of the Federal government *vis-a-vis* states and localities, "to the end that these relations may be clearly defined and the functions concerned may be allocated to their proper jurisdiction." (P.L. 109, 83rd Congress, 1st Session.) Four years later, in addressing the National Governors' Conference, he indicated his fear that the national government had "improperly invaded the rights and responsibilities of states" and expressed the hope that "some adjustments in revenues and functions could be made." To this end, he suggested that the National Governors' Conference join with his Administration in creating a task force to make a searching examination to designate the functions being performed wholly or in part by the Federal government which could be reassigned to the states.

As a result of his suggestion, a Joint Federal-State Action Committee was created to explore the problem and make recommendations to both the states and the national government on reassignment. The committee was unable at the end of its work to do more than propose that the Federal government cease to support vocational education programs and to subsidize the construction of local waste treatment facilities and that the Federal government yield a portion of the telephone tax to the states.[8] In any event, even these modest proposals failed to receive public support. There was considerable opposition from vested interests to the changes, and Congress gave them short shrift.

Reviewing the involvement of the Federal government in the delivery of domestic services, James L. Sundquist concluded that "national action to help communities cope with their problems" is here to stay. Grants may be consolidated and administration decentralized, but "the pattern itself will not be supplanted . . . The same social, economic, and political forces that thrust the Federal government into its new fields of concern [in the first place] will continue to press upon the nation's leadership, and with an intensity more likely to grow than to diminish."[9]

Functional Distribution: A Mixed Pattern

In sum, functional assignment in the American federal system has been on an *ad hoc*, piecemeal basis, never separated from the political process. Assignments have been made in reaction to developing situations rather than on the basis of an overall approach or plan based on a balanced prior consideration of popular needs and governmental resources to meet them. The American people created a pattern of government by incremental stages, adding units for representational purposes as the nation's population grew. Each unit naturally found its justification in serving – servicing, if you will – its own constituency, wholly in accord with popular democratic theory. The availability of funds was a dominant factor in deciding where particular functions should be lodged, but it was not the only factor. The long prevalence of urban-rural conflict in state legislatures – and of control by special interests in many – also influenced functional assignment. In a sense, functional allocation was competitive as among units and levels of government and was considered part of the "spoils" of winning political control. For a long time, there were essentially two areas of functional operation – the state-local one in which most domestic services were supplied, and the national one which concentrated on the provision of defense, foreign policy, monetary, and the other services of a nation-state. Eventually, the superior fiscal position of the national government led to political demands for its entry into the domestic service area as well, making functional allocation not only the complicated process it is today but a perennial source of tension and uncertainty in American federalism as well.

For urban areas, the existing confusion of functional assignments means poor and uneven service delivery on an areawide basis within the same urban region. The existence of disparities among areas in the same urban region has been identified already in this report as a major problem in urban areas, and the financial aspects of that problem have been discussed in *Chapter 2*. Equalization of fiscal resources would go a long way toward relieving those disparities, but a reordering of functional assignments by Federal, state, and local governments in accordance with a functional assignment policy is still needed if the problem is wholly to be resolved.

ACIR STUDIES OF FUNCTIONAL CHAOS

Since its 1963 report, *Performance of Urban Functions: Local and Areawide*, the Advisory Commission on Intergovernmental Relations has recommended various specific functional assignment policies that would reduce the tension and uncertainty and would result in a more manageable set of service responsibilities for national, state, areawide, and local governments – and even neighborhood subunits of government in certain large urban jurisdictions.

In particular, the Commission has addressed the problem of the endless variation among and within the states as to functional assignment and responsibility resulting from their firm attachment to the traditional method of deciding what level or unit of government should be responsible for what function.

It also has made a number of studies and recommendations in specific functional areas. The Commission's recommendation that the national government assume full responsibility for the provision of public assistance grew out of its conviction that welfare no longer is a state or local problem but a national one, permeated with Federal restrictions and requirements as well as with national implications for economic development and interstate migration. And its recommendations for simplification of Federal grant-in-aid programs, for using broad block grants instead of narrow single purpose grants, and for greater use of review and consultation procedures, all are derived from the Commission's concern for the more effective delivery of services in the programs which it helps support. In the final part of this chapter, the Commission's studies in the areas of urban transportation, crime control, and water supply and sewerage will be discussed.

Substate Functional Reform

During 1972 and 1973, the Advisory Commission on Intergovernmental Relations became convinced that the American federalism system is confronting one of its greatest contemporary challenges at the substate regional level. The issue of substate regionalism arose gradually over the past few decades as Federal, state, and local governments each went their own ways in trying to solve areawide problems in an areawide context. The general result of these uncoordinated actions has been a proliferation of governmental mechanisms within narrowly chartered and highly specialized program areas.

The question no longer is whether there will be systems of regional governance. These structures exist, and more are being created every year. The real questions before Federal, state, and local government now are: What can be done to reduce the fragmentation at this crucial level of government? How should these areawide structures relate to existing general purpose local governments and special districts?

The Advisory Commission on Intergovernmental Relations has posited four objectives for governing at this crucial level:

- to coordinate areawide agencies and reduce their proliferation,
- to develop a framework for responsive and responsible decision making at the areawide level,
- to curb special districts, and
- to establish a short-term environment of cooperation between regional agencies and local governments, while facilitating long-range local government modernization and reorganization.

Within this context, it probed the accelerating districting developments, the less widespread local reorganization efforts, and the gradually shifting servicing assignment patterns that have combined to establish this new, but largely chaotic and confusing level of governmental activity. In June 1973, and February 1974, the Commission adopted a series of recommendations which constitute a timely tripartite strategy for coping with the regional quandary now troubling most of urban and rural America.

The Maze of Regional Mechanisms

These recommendations for reform are rooted in the vast body of research findings contained in the six volumes comprising this substate regionalism study.[10] Generally, ACIR found more institutions, more programs, more coordinating procedures, more comprehensive and functional planning, and even more servicing and governmental reorganization efforts at this regional level – between the states and most of their counties – than was the case a decade ago. It discovered clear evidence of major Federal initiatives, of a lesser state role, and of considerable local anxiety. It also identified ambivalent regional policies at all three levels. Above all, it generally found more tension and more turmoil at this level than ever existed before.

The rash of regional council and districting developments has produced a wide range of generalist and special purpose institutions in practically all of the nation's metropolitan areas and most of its nonmetropolitan regions. Here is what this maze consists of.

Special Districts. Independent special districts and authorities – many of which are regional or at least interjurisdictional if not fully areawide – have surpassed the 24,000 mark, producing the fastest growing sector of local government in the United States. These districts and authorities are attractive for a number of reasons. First, they are usually self-supporting, paid for by revenue bonds or user charges. Not only is that politically appealing in financially hard pressed cities, but often necessary in states which limit local property taxes and local general obligation bonds. This situation is borne out by the current pattern of special districts. While the average number of districts per state in 1972 was 487, the average number of states without property tax limitations on localities was only 152.

Another attraction of special districts is that they usually do not require new special legislation – most states have a general law permitting their establishment already on the books – so they can be created and begin operation without delay. Also, they are, to some degree, removed from local elected officials – making them attractive at once to those citizens' groups which suspect politicians as well as to local politicians who wish to avoid politically difficult tasks such as public housing.

For many years, the Federal government directly encouraged the establishment of special districts. As early as the 1930s, President Franklin D. Roosevelt urged states to permit localities to set up special districts for soil and water conservation. From the 1950s through the mid-1960s, many Federal grants-in-aid bypassed general purpose government and were distributed directly to special districts. The *Demonstration Cities and Metropolitan Development Act of 1966*, and the *Intergovernmental Cooperation Act of 1968* both have established a Federal policy favoring general purpose government, but many Federal programs still deal directly with special districts.

The states also have tied many of their aid programs to the creation of public authorities. In addition, states indirectly encourage special district formation by limiting the power and finances of local and areawide governments to perform these functions themselves.

Therefore, by design or by default, the number and kind of special districts have grown rapidly. About a quarter of them have boundaries coterminous with a municipality or county, but the overwhelming majority – almost four-fifths of them – are multijurisdictional, spanning several jurisdictions, but not necessarily the same jurisdictions. A few of them have several functions, but most perform a single service or a narrow range of activities.

Local officials and citizens groups have begun to realize that a monster has been created as they see the money used in uncoordinated ways by special purpose districts, the loss of public control over the direction of their public services, and the irony of a structure established to fill servicing gaps which in turn produce management gaps and coordination problems.

Federally Encouraged Districts. A number of Federal programs have given rise to single-purpose areawide units. About 4,000 Federally encouraged geographic program areas have by now been established at the substate regional level by an ever-changing set of Federal aid programs, which number 20 as of 1976. These programs include law enforcement, manpower, health, economic development, resource conservation and development, air quality, transportation, environmental protection, social services, and comprehensive planning.

Regional Councils. If special districts grew out of a need to provide facilities and services, regional councils of government (COGs) were the product of the desire to plan. City planning was established as an appropriate local government activity in the early years of this century. By the end of World War II, planning was viewed as a metropolitan task that stretched beyond the city limits.

In November 1945, local officials in the Eugene-Springfield, Oregon, metropolitan area opened a new era of regional planning when they established the Central Lane Planning Council, which has since become Lane Council of Governments. Other regional planning bodies appeared around the country – 18 of them by 1950. This new type of unit was recognized by the Federal government in 1954, when Section 701(d) of the *Housing Act* of that year provided financial support.

The *Housing Act of 1965* was a major turning point, making regional councils directly eligible for financial assistance. The next year, Section 204 of the *Demonstration Cities and Metropolitan Development Act* established a process whereby a metropolitan body would review and comment on local government applications for certain Federal grants. COGs emerged as the natural body to serve as the review agency. The *1968 Intergovernmental Cooperation Act* expanded the scope of these review bodies through what is now known as the A-95 review process – named after the Office of Management and Budget circular that implemented it. It is not surprising, therefore, that there are now more than 600 COGs in operation, serving approximately 250 metropolitan and 350 non-metropolitan areas around the country.

Councils of government are voluntary regional associations of elected local officials (or of local governments represented by their elected officials). They are multifunctional. Even an early study of 88 such organizations showed that 11 percent were involved in one to five programs, 26 percent in six to ten programs, and 38 percent in 11 to 15 programs. Typically, they have no governmental powers or operating authority, although most of them receive Federal grants and wield considerable authority under these programs. The predominant method of representation and voting is one-unit, one-vote, which dilutes the power position of the central city, but provisions for population weighted voting are becoming quite common.

Regional councils today are faced with six major challenges:

- Despite increasing pressure from central cities for proportionate representation, as regional council functional and grant administration responsibilities grow, the majority of regional councils continue to rely on a voting system that gives each member jurisdiction equal power in regional decision making regardless of size, financial contributions, or needs.

- Although initially established to provide a voluntary forum for interlocal communication and problem solving, many regional councils have become heavily dependent on Federal funds, with the result that local goals and priorities are sometimes displaced by Federal ones, and membership is no longer truly optional.

- Federal planning funds have spurred regional councils into controversial social programs affecting life styles, but some of these bodies have not established the necessary machinery for handling central city-suburb and intersuburban conflict.

- Regional councils are producing more and more comprehensive and functional plans, yet still lack the power to implement them directly or to compel constituent general purpose jurisdictions or special districts to carry out or abide by them.

- Even though a consensus is emerging regarding the need to perform certain urban functions on an areawide basis, only a handful of regional councils have assumed operational responsibilities for public services and programs.

- While considerable support exists among regional council directors, mayors, and county executives for these organizations to become umbrella agencies, the feudalistic attitudes of program specialists and the general public's opposition to metropolitan or regional government remain considerable barriers to expanded action.

Statewide Districting Systems. Partially in response to some of the Federally encouraged districting efforts, the states have begun to create statewide substate districting systems. Partly to meet state needs and to "clean up the regional mess," sometimes with Federal aid or encouragement, 44 states have so far been officially subdivided into "state planning districts," "state planning and development areas or regions," "state administrative districts," or "state subdistricts." Of these, only about half are created under legislation; the others depend upon gubernatorial action alone.

Not all of the new mechanisms, of course, are totally discrete. The A-95 process gives its instrumentality an areawide clearinghouse role – where it applies and when certain grant applications are involved. Moreover, these A-95 units generally have been utilized as the implementing areawide agency for a little under half of the Federally encouraged districting in their respective regions. With state-established substate districts, their organizations typically have been used as the administering unit for about one-sixth of the Federally encouraged districting programs operating within their jurisdictions, while their boundaries have been adhered to by about one-third of these other districting efforts. These figures jump to one-third and over one-half when the poverty and air pollution programs are eliminated from the count. The general substate regional picture thus reveals some fusion, but mostly fragmentation.

A Record that Raises Questions

Why should the average citizen – or opinion leaders for that matter – worry about the proliferation of substate regional organizations? What difference does it make to him?

Money. Waste. Overlap. With ad-hocracy in the ascendancy, functional assignments among state, regional, and local units frequently have been dysfunctional and designed to solve immediate crises. Meanwhile, conflicting centralization and decentralization trends now are rampant, and any systematic assessment of the cost, fairness, management, and accountability dimensions of state-local servicing systems is generally lacking.

The summary findings cited above, concerning the maze of regional mechanisms, raise issues regarding the future of substate regionalism – indeed, of federalism itself. Basic fiscal, functional, and institutional challenges, after all, are involved in the recent developments at this level. Among the questions raised are the following:

- Will the push for single purpose districting programs continue?

- Are the functions of the multicounty regional mechanisms actually or potentially significant enough to warrant an effort to render them more responsible and responsive?

- Can existing regional councils be converted into effective and authoritative areawide decision-makers?

- Can the functionally oriented middle-management people at the Federal and state levels, as well as their allies within the areawide special purpose bodies, be convinced of the need for a regional umpire?

- Can Federal and state efforts be joined to achieve this substate regional reform?

- Does areawide reorganization or consolidation of local governments constitute an alternative – either now or in the future – to revitalizing existing generalist-dominated regional bodies?

The Commission's response to each of these is in the affirmative. Others may read the recent substate record differently. But the dynamism and positive features revealed in this record, along with the Commission's basic conviction that the ambiguities of Federal, state, and local policies and attitudes on the regional issue cannot last much longer, prompt a positive position on these questions. In the final analysis, ACIR recommendations in this area hang heavily on these two hooks.

As the foregoing final question suggests, the debate over interjurisdictional districts can become a debate over the need for and possibilities of local and especially areawide governmental reform. And this, in turn, poses a tough trio of questions with which to contend:

- Will the dynamics of substate regionalism bolster drives to achieve local and regional governmental reorganization?

- Can a reformed regional council strategy be developed that does not undercut efforts to achieve such reorganization?

- Can a complementary and comprehensive restructuring program be developed that adequately considers the many basic differences among substate regions across the country, the uneven pace of and the uncertain sentiment for reform efforts, and the need now for a concerted drive to strengthen regional councils?

ACIR's response to these questions is "yes." The following chapter is devoted to a fuller explanation of that answer.

When the functional assignment issue is considered in light of the recent districting and governmental reorganization developments, the interdependence of these subjects becomes apparent. New areawide institutions as well as old local structural and procedural rigidities, after all, are major hurdles hindering the development of more effective servicing assignments.

Witness . . .

- the highly selective and usually non-controversial character of most intergovernmental service agreements, functional transfers, and servicing mergers;

- the halting moves toward county modernization and the resultant inability or unwillingness of most counties to assume a full range of local and areawide service responsibilities;

- the steady surge of independent special purpose districts that generally do not coordinate their services with established local governments and are free of any real regional priority setting process;

- the absence in most areas of generalist substate districts or regional councils with adequate authority to control the specialized units and provide, or at least coordinate effectively, various areawide services;

- the defeat of most local and regional governmental reorganization proposals that would involve a clearer sorting out of local and areawide service responsibilities;

- the reluctance to convert the A-95 project notification and review process into a state-areawide-local system for rationalizing certain service assignments; and

- the lack of decentralized state-administered services in most cases and the inability of most state-local governmental systems to devolve appropriate service responsibilities from county or regional to municipal and neighborhood subunits of government.

All this indicates that governmental and quasi-governmental institutions cannot be analyzed apart from their functions, and public functions cannot be treated systematically apart from a range of state, areawide, and local formal institutions. These then are the basic pair of problems generated by the servicing dimension of the substate regional challenge.

Three-Pronged Program for Reform

With these issues and general findings in mind, the Advisory Commission on Intergovernmental Relations has adopted a three-part strategy designed (1) to curb most of the current confusion in areawide districting affairs, (2) to link districting with local governmental modernization efforts, and (3) to relate functional assignment efforts to both. In the Commission's judgment, districting reform should be considered as a basic part of a comprehensive effort to bring greater effectiveness, efficiency, and accountability to governmental operations at the areawide as well as the local levels. Local governmental reorganization and the systematic reassignment of responsibilities for performing various substate functions, in turn, should be viewed as complementary, perhaps more long-term efforts to bring sense to the substate regional scene.

The Reformed Regional Councils Recommendations

In its 1969 report, *Urban America and the Federal System,*[11] the Commission recognized that angry opposition would greet some of the more controversial prescriptions for healing local governments' ailments. In the short run, it concluded, pending more basic changes in governmental structure and powers, less drastic action aimed at promoting coordinated and cooperative action by local governments within metropolitan areas might be the only politically feasible means at hand to deal with problems that will not wait. Even in the longer run, effective coordination will be needed to lubricate the mechanism that emerges as the best attainable structural arrangement. It is unreasonable to expect that all local public services in every large metropolitan area will soon be brought together – into a single multipurpose government – especially if the area is interstate in nature.

The Commission believed then that, in the interim, better coordination of existing local governments in metropolitan areas could be achieved by:

- providing for regional councils of elected officials (COGS), and by
- gubernatorial action to help resolve disputes among local governments within metropolitan areas.

When the Commission took up the thorny substate districting issue in 1973, it concluded that, despite the functioning of COGs over a period of years, what was still missing in all but a few metropolitan and nonmetropolitan areas was a multipurpose regional unit capable of linking areawide planning with program implementation, and capable of effectively coordinating the diverse activities of separate unifunctional substate districts. In short, it wanted a politically viable unit that could serve as an authoritative and responsible regional decisionmaker.

This prompted the Commission's adoption of the umbrella multijurisdictional organization (UMJO) as the focal point of its regional districting reform proposals. This approach now is incorporated in an ACIR model "Statewide Substate Districting Act" and in proposed amendments to Title IV of the *Intergovernmental Cooperation Act of 1968*.

What is an UMJO? It is a substantially strengthened areawide unit that could be built on the foundation of current regional councils of government. It would be the "agent" of local governments in performing intergovernmental functions. Once launched, it would occupy a prime position at the substate regional level.

Cooperative action would be required at Federal and local levels to assure the affirmative role of the UMJOs, but the task of their creation falls primarily to the states.

In the legislation creating the UMJOs, states would give them a basic policy role over special districts by assigning to the UMJO one or more controlling powers, such as appointment of the district's policy board, review and approval of special district budgets and/or projects, or special servicing authority. It would also delegate to the UMJOs the power to review all state agency projects that would have a regional impact and would review and comment on all locally funded major capital facilities. On the other hand, the governor would be authorized to veto any UMJO action that conflicted with state plans, or with policies having statewide application, or with policies or actions of another UMJO.

Federal action would be required to:

- make the UMJO the preferred implementing instrumentality for all Federally encouraged districting programs;
- give gubernatorially designated UMJOs review and approval authority over relevant grant applications covered by the A-95 process; and
- empower the UMJO to review state agency-sponsored major capital facility projects slated

for its region and resolve inconsistencies between them and regional plans and policies if they are subject to the A-95 process.

Local governments would have to cooperate by paying dues, serving on the UMJO policy board, requiring their representatives on special districts to designate the UMJO as the district's policy board, and following the UMJOs' guidelines in local governmental programming, planning and implementation activities.

At least 60 percent of the members on the governing boards of these umbrella units would consist of local elected officials appointed by their respective governments. Moreover, every state department dividing the state for planning, administration, or service delivery would be required to conform its substate boundaries to those of the officially designated districts and to rely on the UMJO for regional planning, administrative, and other purposes unless it could demonstrate that compliance would be detrimental to the accomplishment of its purposes. Since the umbrella organization would be responsible for certain decentralized state programs and activities and would receive substantial state financial assistance, the governor and/or legislature would be empowered to designate officials to represent the state on the regional districts' governing boards.

State law would require that the UMJO use a dual voting system. Although the one-government, one-vote principle would probably be used in deciding most issues, its bylaws would specify the circumstances under which any local member could bring a population-weighted voting procedure into effect, and the formula to be used in determining the number of votes to be cast by counties and cities.

ACIR envisions three sources of funding for the UMJO: a consolidated Federal program of general planning, programming and coordinative management assistance; an on-going state program of substantial financial support; and local contributions.

The UMJO would possess most of the functions of existing regional councils, such as areawide planning, interlocal communications, research, and technical assistance. But unlike most of these councils, it would not have to do battle with other regional bodies for Federal funds, Federal and state areawide program assignments, participation by local officials, and public visibility. Instead, it would serve as the single authorized umbrella agency for its region. Flowing from a series of Federal, local, and especially state actions, the UMJO would be empowered to:

- encourage joint problem solving among counties and cities and provide such technical assistance and services as these units may singly or in combination seek;

- adopt and publicize regional policies and plans, along with a program for their implementation;

- develop planning and programming inputs into the planning and budgeting process of their state;

- serve as the region's A-95 clearinghouse;

- assume basic responsibility for implementing all Federal and state supported areawide planning, programming, coordinating, or districting programs;

- resolve conflicts and differences between certain state agency and local government programs and projects that encroach upon adopted regional policies and plans;

- act as the policy board for all independent multijurisdictional special districts and approve their projects, plans, and capital budgets, thus converting those districts into subordinate units; and

- assume direct operating responsibilities for regional functions upon the affirmative vote of a majority of local members representing at least 60 percent of the district population.

The ACIR's UMJO strategy clearly relies on the raw materials now at hand at the substate regional level. But it goes far beyond the *status quo* in its quest for an effective overarching agency that can deal with the growing demand, in all but a few regions, for decisive decision making in those programs and policies that already are areawide.

A New Approach to Functional Assignments

When deliberating on the servicing component of a substate regional strategy, the Commission focused on the general finding that the present pattern of functional assignments at the state, areawide, and local levels is largely a patchwork product of uncoordinated, separate actions taken by all levels, including the Federal government. To achieve a more consistent and logical determination of responsibilities and to round out the

UMJO proposals above and its reorganization proposals (described in *Chapter 4*), the ACIR in February 1974 called upon the states to enact legislation creating an on-going assignment-of-functions policy and process.

This process would begin with formulation of general servicing criteria – such as economic efficiency, fiscal equity, manageability, and accountability – to help provide more balanced and systematic answers to a range of assignment questions. It then would proceed to the tough task of hammering out classification standards on a function-by-function basis that would sort out what level is responsible for what. The Commission urged that a state-local unit, preferably a state ACIR, be assigned the sensitive job of developing these criteria and classification standards. In addition, this broadly representative unit would be empowered to issue "intergovernmental impact statements" on Federal, state, or local proposals involving significant changes in service assignment responsibilities and, in light of its research, to recommend specific functional reassignment policies to appropriate decision-making bodies.

The existing *ad hoc* approach to functional assignment in the United States, as has been demonstrated earlier in this chapter, is derived from history and habit. That approach produces little consistency as to the servicing roles of state, areawide, or local governments. Moreover, it fosters constant confusion, as functions continuously – and sometimes precipitously – centralize or decentralize. In only a few instances has any real thought been given to the appropriate servicing roles of various government levels and units, and seldom have procedures been instituted to handle functional assignments (and their related financial implications) in a systematic and balanced fashion. As the present "system" continues to operate, the strains it has already produced can be predicted to increase. Those strains take four main forms:

1. *Service Inefficiency*. The traditional assignment patterns often result in service inefficiencies when local or areawide governments perform services which could be less expensively provided by another level or unit of government for reasons of economies of scale. Inefficiencies can also result when jurisdictions do not use interlocal contracts or pricing policies to provide services at the lowest possible cost.

2. *Service Inequities*. Service inequities occur when a functional assignment imposes uncompensated costs or benefits on another jurisdiction. For example, local governments often engage in exclusionary fiscal zoning practices which create severe fiscal disparities and patterns of racial and economic segregation. Such practices burden some jurisdictions far more than others. Other inequities result when local governments have to perform redistributive services requiring regional or state fiscal equalization.

3. *Ineffective Delivery*. When functions are assigned to jurisdictions that do not have the management expertise, breadth of functional responsibilities, geographic scale, or legal authority to perform the service adequately, ineffective delivery results. Thus, non-home-rule counties assume fewer urban and regional functions than home-rule jurisdictions. Unifunctional special districts generally do not coordinate their services with related local governmental units. Very large or very small governments often do not have a sufficiently well defined management expertise for considering alternative program strategies that might best meet their assigned functional responsibilities.

4. *Inadequate Citizen Involvement and Political Accountability*. Present functional assignment patterns frequently neglect the need for citizen access, control, and participation in the delivery of services. Regional special districts are often mandated by the states and fail to develop effective working relationships with general purpose local governments. Some Federally encouraged substate districts have extensive systems of citizen participation, but others do not. Regional councils are not usually governed on a one-man, one-vote basis. A-95 agencies often do not refer their grant notifications to interested non-governmental agencies, and most cities and counties have been pressured by various types of Federally encouraged districts to increase their citizen participation efforts.

What are the ramifications of these tensions in the assignment system which cause most urban services not to be delivered in as efficient, effective, equitable, and accountable way as they might be? Inefficient assignments raise the cost and reduce the quality and scope of a service. Inequitable assignments result in an unfair distribution of service costs and benefits. Ineffective assignments yield illogical and uncoordinated patterns of service delivery. Unaccountable assignments produce alienation from all levels of government.

All these problems arise, in short, from the traditional piecemeal approach to distributing service responsibilities utilized in the United States. A more ordered and reasoned assignment policy could help avoid many of them. What is needed is a substantial sorting out of functional responsibilities among different levels and units of government.

ACIR has dealt in one way or another with functional assignment in most of its reports; but its 1963 report, *Performance of Urban Functions: Local and Areawide,*[12] was its first intensive treatment of the subject as a whole. There, seven separate criteria for the assignment of urban functions were noted:

1. The governmental jurisdiction responsible for providing any service should be large enough to enable the benefits from that service to be consumed primarily within that jurisdiction.
2. The unit of government should be large enough to permit realization of economies of scale.
3. The unit of government carrying on a function should have a geographic area of jurisdiction adequate for effective performance.
4. The unit of government performing a function should have the legal and administrative ability to perform the services assigned to it.
5. Every unit of government should be responsible for a sufficient number of functions so that it provides a forum for resolution of conflicting interests, with significant responsibility for balancing governmental needs and resources.
6. The performance of functions by a unit of government should remain controllable by and accessible to its residents.
7. Functions should be assigned to that level of government which maximizes the conditions and opportunities for active citizen participation and still permits adequate performance.

Use of these criteria by state and local governments, it was felt, would permit more effective provision of urban services. However, the report stressed that several standards might yield conflicting recommendations for functional assignment; therefore, ". . . they must be balanced, one with the other, to decide in each case which are important for the particular function or situation."[13]

At the same time, functions could be and subsequently were analyzed with these criteria in mind to determine whether they were areawide or local in nature. The report outlined a method by which citizens and public officials might analyze urban functions and draw conclusions as to whether a function should be assigned locally or regionally.

The assignment criteria were applied to 15 selected functions, which were then classified as local, areawide, or intermediate in nature. Moving away from the generalities of earlier works on the subject of functional assignment, the report differentiated the tasks involved in a given function and in some areas suggested a parceling out of *sub-functions* among levels of local government. Fire protection was one of these:

> While the very nature of fire fighting requires fire companies and equipment to be decentralized, planning of total fire fighting administration benefits from coordination on an interjurisdictional basis. Recruiting and training of all personnel, as well as securing specially trained personnel, are facilitated by ability to use resources of a larger area. More efficient assignment of personnel to decentralized fire stations is also possible. Administration of the other aspects of fire protection – fire prevention, including uniform code enforcement – benefits from areawide coordination.[14]

Certain *activities* common to all functions could be assigned to one or another level of government as well. Thus:

> Because of the great diversity of economic characteristics among the jurisdictions within a metropolitan area, efficient allocation of responsibilities does not necessarily coincide with distribution of economic resources needed to sustain the appropriate package of public services . . . . In any case, application of the economic criteria for allocation of functional responsibilities must be modified to take account of the large intercommunity variations in tax bases and qualitative and quantitative demands for public services.[15]

The report underscored the advantages of providing some services locally. Stressing the need for accessibility and participation in education, for example, the report noted:

> Parents' concern for their children's development and the structural and financial independence of the school function provide a great stimulus to citizen participation in school affairs. Conversely, the thrust that these two factors give to public expenditures heightens the participation of taxpayer associations and others concerned with governmental economy in school policy and management.[16]

Local assignment of certain services had other benefits as well. Some non-specialized aspects of health care responsibilities, for example, were found to be

> . . . based on an intimate patient-doctor/nurse relationship. Clients are normally fearful that surrendering administrative control of clinics, visiting nurses, or other facilities to a larger area will mean a greater impersonalness in this relationship. From this standpoint, therefore, health activities which involve a patient-doctor/nurse relationship probably are best administered by local units of government.[17]

Some local functions also could help integrate local and areawide functions; for example:

> . . . localized planning is also needed: (1) for coordination of urban functions provided on a municipality-by-municipality basis so as to produce the most effective overall local program, and (2) for guidance of local development within areawide guidelines proposed by the metropolitan planning body.[18]

The report stressed that the balancing of assignment criteria was ultimately a matter of local political determination. For example, some jurisdictions might wish to provide minimum levels of public service to all communities through an areawide unit, thereby assuring economies of scale and minimal economic externalities in the provision of public services. Other areas might wish to have service levels solely determined locally and thereby emphasize citizen participation in and control of public services.[19] In either case, however, ". . . political choice will affect the application of economic criteria for allocation of functions in any given metropolitan area."[20] While various criteria might objectively indicate whether a function is local or areawide, application of the criteria would pivot on dominant political values.[21]

Recent Developments

The developments since the Commission's 1963 report indicate a need for recasting and simplifying the assignment criteria. A brief review of these departments, therefore, is in order.

Public Service Equity. Until recently, public service equalization has not been regarded as a central goal of the public sector. Service equalization has generally occurred through incentives for selected forms of structural reorganization[22] or grants-in-aid which seek to prevent fiscal disparities in program offerings.[23] Yet, the burgeoning interest in fiscal disparities[24] has prompted some observers to formulate more forceful approaches to the service equalization problem.

Eschewing the idea of structural reorganization of local government, some, as already noted in this report, have questioned the legality of fiscal systems which produce widely divergent public service offerings. It has been held that systems producing fiscal disparities violate the equal protection guarantees of Federal and state constitutions.[25]

Several school finance suits have resulted in court decisions which have directed that educational finance systems must be redesigned to be non-discriminatory and redistributive.[26] Other suits have abolished residency requirements for public housing and welfare services, and required the equitable provision of housing opportunities on an areawide basis in metropolitan areas. Also, under the *1964 and 1968 Civil Rights Acts* no Federal funds can be spent for any functions if such expenditures would have a discriminatory impact.

Public Sector Competition. Another recent concern has been public sector competition. While some have long espoused limited service competition among different local governments,[27] others have broadened the concept by claiming that the consumer should be given a direct say in the provision of services by use of voucher systems or cash allowances for the purchase of specific services.[28] Others advocate that the service monopoly of a local government be altered, and that a number of organizations be authorized to provide a given service.[29] Local governments then would have greater incentive to provide more efficient services. More interest also has been shown in permitting flexible contractual arrangements between and among local governments and their local populace in the performance of a given service.[30] This demand for public sector competition, then, naturally leads to more complex functional assignment criteria.

Public Service Differentiation. Public services are now recognized as more divisible and interrelated than ever before. Hence, functional assignments are much more complex and varied due to their numerous subcomponents[31] which can be and frequently are separately assigned to one or another level of government.[32]

This subdividing of functions has spawned a variety of new procedures and institutions that deal with only certain components of a particular function. In a given function, planning may be located in a quasi-governmental regional council; partial financing responsibilities with the state government; grant management with a Federally encouraged substate body; regulatory powers with traditional Federal, state, and local agencies; and coordination assignments with a regional council of governments. The number of actors in the assignment of function, in other words, has increased drastically over the past decade.[33]

The proliferation of program participants has produced a greater need for coordination devices. Thus, Federal substate districts, regional councils, and in a few cases state substate districts exercise review and comment powers to insure that functional activities of local governments will be in conformance with regional comprehensive plans.[34] Other coordinative devices provide an outreach into local communities to offer local residents "integrated" service packages previously unavailable to them.

In short, functions are increasingly more multidimensional. At the same time, many functional assignments are subject to multilevel influence rather than central direction. How this multilevel influence is to be executed is central to the assignment of functions question.

Increased Regulation. Many functions are now regulated because cooperative administration does not always assure effective performance. This development has enhanced the standard-setting component of many functions and caused some significant shifts in program responsibility.

Nowhere in recent years have the regulatory dimensions of a function been more explicitly demonstrated than in environmental protection and land use control. At the Federal level, broad regulatory powers have been vested with and carried out by the Environmental Protection Agency. Some states have adopted strong land use measures which regulate developments of large scale or those which occur in ecologically vulnerable areas.[35] A few others have even developed formulas to reduce discrimination in a particular function.[36] In a variety of other functions, standards have been instituted which will require affected governments to change their program offerings, possibly even to transfer some of their functional responsibilities to another level of government.[37] Pending litigation in certain functions may have the same effect.[38]

Discretionary Assignments. Another recent development is greater tolerance for optional functional assignments. Realizing that program performance is vital, all levels of government now are considering policies that permit more procedural and institutional discretion in program implementation.

One example of this trend is the *State-Local Fiscal Assistance Act of 1972*. This measure and others like it,[39] including state general support programs, are intended to decentralize program responsibility to lower levels of government. The ACIR grant consolidation proposals and the target grant procedures of the Appalachian Regional Commission and Model Cities Agencies were also designed to permit lower levels of government to determine their own program requirements.[40]

Certain proposed measures would permit optional approaches to other functional problems. The American Law Institute, for example, has advocated that localities be permitted to use more discretionary land use controls upon adoption of comprehensive development ordinances.[41] In the same vein, others recommend that the Federal government grant states more leverage over administration of Federal grant programs when they adopt specific structural and administrative improvements.[42] In these cases, uniform programs or procedures could be waived on the basis of a *quid pro quo* between higher and lower levels of government. Presumably these arrangements could be made even more flexible if explicit program objectives were being met.[43] Flexible functional assignment also has been suggested by ACIR in a recent report.[44]

To sum up, functional assignment conditions have changed considerably since ACIR first studied them in 1963. As different and often conflicting pressures – equalization v. competition, differentiation v. integration, regulation v. discretion – affect public policies, old assignment criteria must be reexamined and redefined.

Functional Allocation Reconsidered

That reexamination was conducted over a period of several years, and its findings form the substance of Volume IV of the Commission's series on *Substate Regionalism and the Federal System*, entitled *Governmental Functions and Processes: Local and Areawide* and published in February 1974.[45]

While the Commission's original assignment criteria remain valid, the guides it suggested in the 1963 report to functional allocation have been recast and amplified. More specifically, the 1974 report focuses on the four main themes suggested by the original criteria and by recent developments relating to functional assignments: economic efficiency, equity, political accountability, and administrative effectiveness. Each of these includes subcomponents which provide concrete guidance for rules of functional allocation. Taken together, these characteristics suggest that functional assignments should be made to jurisdictions that can (1) supply a service at the lowest possible cost; (2) finance a function with the greatest possible fiscal equalization; (3) provide a service with adequate popular political control; and (4) administer a function in an authoritative, technically proficient, and cooperative fashion. In more specific terms, these factors include:

1. *Economic Efficiency*: Functions should be assigned to jurisdictions
   a) that are large enough to realize economies of scale and small enough not to incur diseconomies of scale;
   b) that are willing to provide alternative service offerings to their citizens and specific services within a price range and level of effectiveness acceptable to local citizenry; and
   c) that adopt pricing policies for their functions whenever possible.

2. *Fiscal Equity*: Appropriate functions should be assigned to jurisdictions:
   a) that are large enough to encompass the cost and benefits of a function or that are willing to compensate other jurisdictions for the service costs imposed or for benefits received by them; and
   b) that have adequate fiscal capacity to finance their public service responsibilities and that are willing to implement measures that ensure interpersonal and interjurisdictional fiscal equity in the performance of a function.

3. *Political Accountability*: Functions should be assigned to jurisdictions
   a) that are controllable by, accessible to, and accountable to their residents in the performance of their public service responsibilities; and
   b) that maximize the conditions and opportunities for active and productive citizen participation in the performance of a function.

4. *Administrative Effectiveness*: Functions should be assigned to jurisdictions
   a) that are responsible for a wide variety of functions and that can balance competing functional interests;
   b) that encompass a geographic area adequate for effective performance of a function;
   c) that explicitly determine the goals and means of discharging public service responsibilities and that periodically reassess program goals in light of performance standards;
   d) that are willing to pursue intergovernmental policies for promoting interlocal functional cooperation and reducing interlocal functional conflict; and
   e) that have adequate legal authority to perform a function and rely on it in administering the function.

Criteria and Service Assignment. How do these four criteria and their subcomponents actually relate to service assignment? In general, they focus on either the level or type of government to which a function is to be assigned. Thus, some of the criteria argue for regional or state provision of a function, and others for local provision of a service. Still other criteria argue for certain types of governmental units to perform the service at a regional or local level. *Figure XI-1* indicates the relationship of the various criteria subcomponents to the assignment question.

Criteria subcomponents that generally call for regional or state assumption of a function include economies of scale, fiscal equalization, economic externalities, and geographic adequacy. These suggest that a jurisdiction should be large enough to provide services at a relatively low unit cost, have enough resources to provide redistributive services, or have enough area to administer services which should be uniformly delivered over a wide area (*i.e.*, transportation and water resources management) to avoid imposing costs on neighboring jurisdictions.

Criteria subcomponents that favor local provision of a

Figure XVI

Assignment Criteria and Their Relationship to the Level and Form of Government to Which A Function Should Be Assigned

Criteria Subcomponent	Level of Government To Which Function Should Be Assigned	Type of Government To Which Function Should Be Assigned
ECONOMIC EFFICIENCY–Economies of Scale	Areawide or State	
FISCAL EQUITY–Economic Externalities	Areawide or State	
FISCAL EQUITY–Fiscal Equalization	Areawide or State	
ADMINISTRATIVE EFFECTIVENESS–Geographic Adequacy	Areawide or State	
POLITICAL ACCOUNTABILITY–Access and Control	Local	
POLITICAL ACCOUNTABILITY–Citizen Participation	Local	
ECONOMIC EFFICIENCY–Service Competition	Local	
ECONOMIC EFFICIENCY–Public Pricing		Technically Proficient
ADMINISTRATIVE EFFECTIVENESS–Management Capability		Technically Proficient
ADMINISTRATIVE EFFECTIVENESS–Legal Adequacy		Authoritative
ADMINISTRATIVE EFFECTIVENESS–General Purpose Character		Authoritative
ADMINISTRATIVE EFFECTIVENESS–Intergovernmental Flexibility		Cooperative

function are service competition, citizen access and control, and citizen participation. These factors suggest that services which depend on continuous political control or popular participation for satisfactory performance should be assigned locally. Moreover, where public choice about service quantity or quality is especially significant, local administration can lead to wider service choices and better evaluation of service delivery.

Other criteria subcomponents underscore the type of governmental unit that should be assigned a function. Public pricing and management capability argue for a technically proficient jurisdiction. Legal adequacy and general purpose character suggest that an authoritative jurisdiction (both in its powers and the number of functions that it has responsibility for) should administer a regional or local service. Finally, intergovernmental flexibility means that cooperative units of government are best suited to administer areawide or local functions, especially those having interlevel or interlocal ramifications.

In practice, these criteria argue for the assignment of certain activities regionally and others locally (see *Table XV*). But since many functions have subcomponents that are of an areawide or local nature, they frequently argue for local or areawide assignment of these subcomponents (see *Table XVI*). In short, functions and parts of functions can be assigned to local, areawide, and state units of government on the basis of these ideal assignment criteria. Where local government itself is too large, the criteria may also suggest the need for neighborhood subunits of government.

At the same time, however, application of these assignment criteria is not an easy task. These standards are not always mutually compatible or easily ordered. Many functions (*i.e.*, social services and land use control) have differing elements of political accountability and fiscal equity, for example. The first criterion would argue for local assignment of the service; the latter for regional or state assignment. It is not always completely clear, then, which level of government should be accorded the responsibility for the service. Much depends, then, on how important each criterion is in a particular service.

Alternative Assignment Systems. While the different assignment criteria indicate, in general terms, what level and type of government should perform a particular function, what governmental systems can accommodate these assignment criteria? Three alternative governmental systems theoretically can balance these criteria and apportion service responsibilities among state, areawide, and local jurisdictions.

The first governmental system for assigning services is a polycentric one. This has both local and regional jurisdictions, but the regional units have no formally

Table XV

Activities Which Can and Cannot Be Handled Locally

	Local Activities Which Can be Handled by a Locality of		Areawide Activities Which Cannot be Handled Locally
Functions	**10,000 population**	**25,000 or more**	
Police	Patrol Routine investigation Traffic control	Same	Crime laboratory Special investigation Training Communications
Fire	Fire company (minimal)	Fire companies (better)	Training Communications Special investigation
Streets and Highways	Local streets, sidewalks, alleys: Repairs, cleaning, snow removal, lighting, trees	Same	Expressways Major arteries
Transportation			Mass transit Airport Port Terminals
Refuse	Collection	Same	Disposal
Water and Sewer	Local mains	Same	Treatment plants Trunk lines
Parks and Recreation	Local parks Playgrounds Recreation centers Tot-lots Swimming pool (25 m.)	Same plus Community center Skating rink Swimming Pool (50 m.)	Large parks, zoo Museum Concert hall Stadium Golf courses
Libraries	Branch (small)	Branch (larger)	Central reference
Education	Elementary	Elementary Secondary	Community colleges Vocational schools
Welfare	Social services	Same	Assistance payments
Health		Public health services Health center	Hospital
Environmental Protection		Environmental sanitation	Air pollution control
Land Use and Development	Local planning Zoning Urban renewal	Same plus Housing and building code enforcement	Broad planning Building and housing standards
Housing	Public housing management	Public housing management and construction	Housing subsidy allocation

SOURCE: Adopted from Howard Hallman, *Government by Neighborhoods* (Washington, D.C.: Center for Governmental Studies, 1973), p. 24.

Table XVI

Hypothetical Assignment for Components of Functional Activities

Activity/Component	Areawide	Shared	Local
Planning			
Intelligence	X		
Forecasting	X		
Plan Formulation		X	
Operations Review		X	
Liaison/Coordination	X		
Financing			
Revenue Raising		X	
Revenue Distribution	X		
Fiscal Control		X	
Budgeting			X
Staffing			
Selection			X
Recruitment		X	
Training	X		
Appointment/Removal			X
Administration			
Supervision	X		
Management Analysis		X	
Productivity Analysis		X	
Technical Assistance	X		
Standard Setting			
Formulation of Rules		X	
Rule Interpretation	X		
Rule Adjudication	X		
Rule Evaluation		X	
Rule Amendment		X	
Rule Enforcement			X
Enforcement			
Investigation	X		
Inspection	X		
Licensing	X		
Certification	X		
Service Delivery			
Operations			X
Construction			X
Information			
Recordkeeping		X	
Communication		X	
Data Collection		X	
Reporting			X
Public Relations			X
Evaluation			
Fact-Finding	X		
Public Hearings		X	
Testing/Analysis	X		
Consultation		X	

SOURCE: ACIR Tabulation.

delegated functional responsibilities. Rather, they assume functions that are transferred to them by underlying local governments or that they perform for constituent units by contract. Consequently, the polycentric method for assigning services involves the market method of allocating functions to different levels of government. Functions – local, areawide, and state – are provided only by the governments that choose or are sought out to perform them.

A second method of distributing service responsibilities involves essentially a two-tier governmental set-up. This system apportions legal responsibilities between the general purpose governments at the two levels. The upper or areawide tier performs generally those functions that (a) involve regulation, redistribution, or economies of scale, (b) mediate interlocal functional conflicts, and (c) coordinate local decisions having an areawide impact. Local governments and counties in a multicounty setting perform all those functions not specifically delegated to the higher level of government. The state provides services that neither the areawide nor local levels can administer effectively. Moreover, local units of government are sometimes, but not always, represented in the upper-tier units.

A third approach places all regional and local functions under a single consolidated unit of government. In this fashion, a unified government directly performs areawide services throughout its jurisdiction and administers local services through decentralized local service districts. The state, again, performs those functions that the consolidated unit cannot satisfactorily administer.

Each of these three governmental arrangements for administering local and areawide services exists in one form or another in one or more metropolitan areas, with the first being the most prevalent. All three obviously reflect different political preferences for the assignment of local and areawide services. And all three models, to a greater or lesser degree, meet some of the ideal assignment criteria already enumerated.

The adoption of assignment criteria offers a way to more effective allocation of service responsibilities among state, areawide, and local jurisdictions. Moreover, they are reflected partially in the polycentric, two-tier, and consolidated governmental arrangements that exist in substate areas. Considerations of economic efficiency, fiscal equity, political accountability, and administrative effectiveness continue also to be prominent issues in current functional assignment debates. Simultaneously, the urgency of the service allocation issue is highlighted by numerous pressures: (a) local fiscal disparities, (b) nationally sponsored areawide programs in environmental control, transportation, and economic development, (c) the emergence of stronger state bureaucracies, and (d) continued emphasis on human resource service decentralization, especially in larger cities. A systematic assignment policy and process involving Federal, state, and local government is clearly needed to permit a more reasoned and manageable apportionment of service responsibilities.

SPECIAL FUNCTIONAL AREAS

In addition to developing the UMJO concept and a general approach to functional assignment as ways to improve service delivery in the nation's urban areas, ACIR also has looked at several specific urban functions in some detail. These are urban transportation, crime control, water supply, and sewerage.

Urban Transportation[46]

Effective transportation services are obviously essential to keeping cities and urban counties running and rural areas accessible[47] to population centers. Yet urban transportation is in crisis today in many parts of the United States. One need cite only a few specific examples to make the general point:

- In Chicago, several private suburban bus companies were near bankruptcy, and the Chicago Transit Authority was running increasingly in the red until a new Regional Transportation Authority was established in 1975.
- In New York City, the battle to keep fares at a reasonable rate while still being able to modernize and extend subways to meet growing needs is slowly being lost.
- In San Francisco, the new rapid transit system was almost forced to shut down in 1974 for financial reasons, and the major bus systems have had a tremendous fall-off in ridership and revenue.
- In most urban areas automobile congestion delays commuters, wastes fuel,[48] and causes excessive air pollution.[49] In nearly every city, efforts to deal with transportation on a multimodal basis are frustrated by narrow limits on the use of transportation dollars.
- In rural America, more and more towns are facing abandonment of rail and bus services,

causing virtual isolation for those citizens of rural areas and small towns without cars.

- The governmental machinery for dealing with transportation is excessively fragmented in most parts of the nation, and programs for meeting transportation needs are severely hampered by narrow categorical limitations on the modes that can be provided; available financing gorges some transportation modes while starving others.

Most of these conditions are not new, though many – headed by the energy crisis – began to assume major proportions in 1975. They are results of more than an quarter of a century of piecemeal, permissive, and unplanned approaches to the problem. The first efforts to spell out a national transportation policy did not address themselves to the urban aspects of the problem. From 1921 to 1971, total governmental expenditures on transportation amounted to $336.2-billion; of that amount, $326-billion was spent on highways. Railroads and rapid transit received only $2-billion in that period. The feeble urban mass transportation program initiated by the Federal government in 1961 was strengthened in 1964, but it did not begin to get substantial funding until 1970.

By 1973, the starvation of mass transportation in many of the nation's largest cities became so serious that several bills were introduced in Congress to provide temporary emergency operating subsidies just to keep them in business. These temporary measures almost passed in piecemeal fashion early in 1974. The administration and certain leaders in Congress, however, took the opportunity to enact some major mass transportation reforms instead. The new program gives for the first time each of the larger urban areas (having populations over 200,000) dependable formula funds for their own use, and at the same time provides aid to all other communities (regardless of size) through the states. Ths program also lets Federal funds be used to improve and expand operating transit services, rather than focusing only on the building of additional facilities as in the past. The program also included some increased funding, though many say not nearly enough,[50] and created a state role in mass transportation.

In sum, the *National Mass Transportation Assistance Act of 1974* establishes an $11.3-billion, six-year urban mass transit program and an additional $500-million program for rural mass transit capital assistance over the same period.

Of the $11.3-billion provided by the act, $3.975-billion is to be distributed by formula for use in either mass transit capital or operating programs. The balance, $7.325-billion, is to be distributed to the cities for major mass transit capital projects on a categorical basis.

The distribution formula is based one-half on population and one-half on population density. The Federal matching share for funds used is up to 80 percent for capital purposes, and up to 50 percent for operating purposes. The schedule provided by NMTA calls for distribution of the formula funds through fiscal year 1980 as follows:

Year	Funds
1975	$300-million
1976	$500-million
1977	$650-million
1978	$775-million
1979	$850-million
1980	$900-million

Funds will be distributed directly to urban areas of over 200,000 population to an agency agreed upon by the governors of the respective states and appropriate local officials. The governors will distribute the formula funds to cities with populations of 50,000 to 200,000.

The act also requires recipients of funds to charge no more than half-fare for the elderly and handicapped during off-peak hours, authorizes fare free demonstrations, and makes quasi-public development corporations eligible for grants.

These legislative innovations followed enactment of the *1973 Highway Act*, which for the first time (1) provided flexible use of some highway trust funds for transit as well as highway purposes,[51] (2) gave urban planning bodies the responsibility for initiating plans for urban system projects and concurring with state, Federal, and local authorities on other highway programs within the urbanized areas, and (3) led to the designation by the governors of a single planning body in each metropolitan area for Federal aid highway, transit, and airport planning funds. In most cases, this single planning body now is also the comprehensive planning body for its region, having Federal aid review and comment responsibilities under *OMB Circular A-95*. Thus, there recently has been significant movement toward what may prove to be better solutions to the transportation problems in both metropolitan and rural areas. Yet the question remains: are we moving fast enough and comprehensively enough?

These issues were studied thoroughly by the Advisory Commission on Intergovernmental Relations in 1973 and 1974. On December 13, 1974, the Commission adopted a nine-point strategy for improving regional transportation planning, decision making, and implementation. Briefly, the proposals are as follows:

1. Currently fragmented Federal aid programs in support of the urban system, the secondary highway system, and mass transportation should be merged into a single Federal transportation block grant to be distributed among metropolitan and non-metropolitan regions largely according to a formula based primarily on population.

2. This new unified grant program could be used by grant recipients for any transportation mode and for either capital or operating purposes, and it would be supported by earmarked monies from the National Highway Trust Fund and by Congressional appropriations from the general fund.

3. States would be given an incentive to develop strong intermodal state departments of transportation, responsive to overall policy control by the governor, and a substantial intermodal program of financial assistance for regional systems, by channeling Federal funds through the states (for regions wholly within a single state) if such measures were taken. In the absence of a strong state department of transportation, funds would go directly to the regional planning bodies, as they would in any case to all interstate transportation regions.

4. Ultimately, the funds would be passed on to the appropriate construction, maintenance, and operating units, and perhaps even to individual transportation users, by the designated regional planning body in accordance with its own plans and policies.

5. All of the regional bodies designated for these important Federal aid roles would be required to have well defined authoritative decision-making powers, but their form could vary: a strengthened regional council similar to the one in Minneapolis-St. Paul, a city-county consolidated metropolitan government, like that in Jacksonville, Nashville, and Indianapolis, or even a state agency, in some cases, working closely with the locally controlled regional body having responsibilities under the state's substate districting system and under *OMB Circular A-95.*

6. The regional bodies would have expanded powers to plan and coordinate metropolitan-wide regional transportation systems and to initiate and/or approve or disapprove local transportation projects of regionwide significance in accordance with their comprehensive regional plans and policies; they also would be empowered to monitor and participate in the proceedings of transportation, community development, environmental, and other related regulatory bodies to help coordinate regulatory decisions with comprehensive planning policies.

7. The states would authorize areawide intermodal transportation authorities having operational responsibility in conformity with the plans of the regional planning body. The authorities would have the power to raise funds, coordinate and assist the activities of existing transportation provider organizations, subsidize certain classes of transportation users – like the elderly or the poor – and directly provide such needed transportation facilities or services as may otherwise be unavailable. These authorities could exercise their powers only in accordance with decisions of the regional policy bodies.

8. State and local transportation financing policies should be made more flexible, so that impediments removed from the Federal aid programs would not be perpetuated by outdated state and local limitations.

9. Finally, the Congress and state legislatures should consider consolidating the various transportation regulatory bodies they have established, creating single intermodal bodies charged with considering – in addition to economic criteria – modal productivity and efficiency, energy conservation, desired community development, environmental protection, enhanced mobility, and unhindered access.

In choosing this regional transportation model for the '70s, the Commission made a conscious effort to grapple with and sort out three basic issues. The first concerns the geographic reach of the various transportation systems – which ones are areawide and which are local, statewide, or national in scope – and how responsibilities for each can be divided up among several levels of government; the second has to do with interrelating the various transportation modes; and the third deals with establishing smoother and stronger intergovernmental relationships to bridge the gaps [illegible]d by divided responsibilities for, and diverse fina[illegible], interrelated systems.

The Commission determined to its satisfaction that there are certain transportation systems which are nationwide and others which are statewide, regional, and local. The regional systems were of primary interest in its study. The Commission believes that regional transportation programs all should be consolidated into one intermodal program and made the responsibility of strong and capable regional bodies. At the same time, purely local transportation would remain a local government responsibility, and transportation systems reaching beyond the region would be primarily the concern of the state and Federal governments. Effective intergovernmental coordination would be used to help assure that (1) a state project would not disrupt local and areawide communities unnecessarily or arbitrarily, (2) local projects would be consistent with regional ones, and (3) regional transportation systems would connect with and complement the nationwide and statewide systems.

What the Commission has done in these recommendations, then, is to give each level of government its due, but to recognize that there is no way to separate responsibilities completely. Instead, these responsibilities must be shared through systems calling for appropriate reviews, concurrences, and approvals. In this process, each level of government must pull its own weight, demonstrating its capacity to perform its partnership responsibilities.

Such a program calls for considerable action by the states. Specifically, the Commission called on the states to enact legislation which would:

- establish or recognize areawide multimodal transportation authorities of a variety of types, depending on the particular needs and problems of substate areas;

- authorize financing of such authorities' operations through a combination of areawide taxes, assessments, fees, and service charges;

- authorize authorities to set major urban and rural regional transportation routes, including mass transit routes, and conditions for operations on them;

- authorize or recognize regional planning and decision-making bodies to exercise general policy control over the authorities;

- authorize delivery of supplemental local transportation services by all units of general purpose local government in metropolitan and rural areas either directly, jointly, or by contract;

- modernize state transportation finance programs;

- modernize state transportation planning and decision making by creation of broad intermodal state departments of transportation; and

- amend laws covering independent transportation regulatory bodies so as to recognize the multimodal approach and to broaden the public policy objectives of such bodies.

State responses are already beginning to be made. For example, in Maryland all revenue sources – gasoline taxes, bus fares, motor vehicle registration fees, aviation landing fees, port revenues and others – are placed in a single consolidated trust fund. Financing for any mode of any project is then available, based on current or changing priorities. These revenues support the state's annual operating and capital programs as well as its bonding program, which now has a $950-million legislatively imposed limit.

Through this approach, Maryland is able to maximize available revenues and bonding authority and apply funds where they are most needed in amounts sufficient to get the job done. The need for, and implementation of, this flexible financing approach becomes clearer with a quick review of some of the new programs begun since the state's Department of Transportation was created in July 1971. The state provides all the local share to finance a $1.4-billion rapid rail system in Metropolitan Baltimore and has assumed two Maryland counties' capital commitment of $160-million for a rapid rail system in the Washington, D.C., region. The state also is providing capital and operating support to sustain and upgrade commuter rail service within its borders. Furthermore, the state has purchased and now operates a major international airport (Baltimore-Washington International). Smaller urban and rural areas throughout the state also are receiving assistance in developing public mass transit services, and the state has substantially increased its support of general aviation as well as bicycle and pedestrian pathways in urban, suburban, and rural areas.

The development of such a program points up the importance of intergovernmental relations. As the Federal government attempts to assign more responsibility to governors for designating single metropolitan bodies to administer planning funds and to make key multimodal transportation decisions, direct relationships with many state and local units of government and transportation agencies have been disturbed.

As Federal transportation funds have been put to multimodal purposes, the modal administrations within DOT and some states have had to abandon their "tunnel vision" and acquire a broader perspective. And this is no easy effort.

As states create general departments of transportation, the independence and predominance of the powerful state highway units inevitably are curbed, and governors are forced to involve themselves deeply in arduous reorganization and coordination efforts. When state financial assisstance is authorized for local and regional transportation systems other than highways, still another new and controversial issue is created for political leaders and administrators.

Below the states, most regional bodies are still relatively new and inexperienced. In many cases, their public image is weak, and political leaders as well as transportation experts wonder whether these bodies are up to meeting their growing role and the rising expectations many people have for them. And this is a source of anxiety at all levels.

Finally, many local government political leaders feel that between the increasing Federal and state influence in transportation and the newly emerging role for regional organizations, the independence of their jurisdictions is threatened. Participating in a regional body, after all, is not the same as actually controlling one's own destiny. Yet, can any local government today – save perhaps for the few major city-county consolidations – really control its transportation destiny without the help and cooperation of other units and levels of government?

The Commission believes that more financial assistance from the state and Federal levels is needed for transportation, and at the same time responsibility and authority for planning and action programs needs to be given to the local and regional levels. It also believes that all levels of government must work together. Whether this proves successful is largely up to the political leadership of all the governmental levels. Elected officials face the real challenges in bringing these recommendations to fruition.

A basic question posed by the ACIR recommendations concerns the degree to which the generalists should take increased responsibility for transportation decisions. This is a tough political question, because it implies that legislators, governors, mayors, and chief elected county officials will have to assert their authority over the transportation bodies and administrators in their efforts to (1) revamp long established and deeply rooted bureaucracies, (2) bring the modes together, and (3) relate transportation to all the other critical concerns of the states, regions, and localities – including concerns for the environment, energy, community and economic development, equal opportunities, and tax burdens. If the elected legislators and chief executives do not take on these coordinative responsibilities increasingly – as representatives of all the people – then many of the specialists in the bureaucracies and lobby groups will continue as before to prevail with their more limited objectives which preclude the greater good.

ACIR's approach was confined to Federal and state actions with regard to metropolitan and rural area transportation. The U.S. Department of Transportation, however, has developed a national transportation policy, in response to calls from Congress[52] and from the newly formed American Public Transit Association.[53] In addition, the Federal airport and airway development programs are being restructured so as to enable state and local officials to address their own priority needs without overly burdensome Federal red tape,[54] and legislation has been enacted designating a national network of essential rail lines and to provide financial assistance to states for rehabilitating rail lines.[55] All of these actions suggest that the broader transportation needs of the nation are beginning to receive attention as well. As this occurs, it is necessary to fit the urban transportation scheme into this broader transportation policy.

Crime Control

Although urban crime is not a new phenomenon in the United States, it has been getting worse in recent years. FBI statistics released on November 17, 1975, showed a 12 percent increase in crime in cities of over 250,000, and a 20 percent increase in suburban areas in 1974 over 1973. Property crimes – such as burglary, larceny and theft – showed the highest rates of increase (19% and 21%, respectively), but the increase in the number of violent crimes of murder, rape, robbery, and aggravated assault was also significant. All indications are that the trend shown in the FBI reports of 1974 is continuing. Obviously, the greatest number of these crimes take place where the majority of the American people live, in the nation's metropolitan areas. By the early 1970s, a survey showed that crime had become the number one concern of the metropolitan resident.[56] In addition, the survey showed that one-third of all central city inhabitants had been a victim of crime in 1972.[57] As a result, the National Commission on the Causes and Prevention of Violence reported that

> One-third of American householders keep guns in the hope that they will provide protection against intruders. In some urban neighborhoods, nearly one-third of the residents wish to move because of high rates of crime, and very large numbers have moved for that reason. In fear of crime, bus drivers in many cities do not carry change, cab drivers in some areas are in scarce supply, and some merchants are closing their businesses.[58]

But the increase in crime has not been confined to metropolitan areas. Significantly, the rate of increase for major crimes has recently not been highest in the large cities, but in cities of under 10,000 and in rural areas. And in other areas of crime as well, a trend seems to be emerging for crime to increase more rapidly overall in suburban and rural areas than in the major urban centers of the nation. In short, the crime problem which Americans used to think was a problem of the central city has become a national problem, threatening the health and security of every American.

To control crime has become an enormous – and challenging – task for state and local government. Growing anxiety about safety to persons and property, shaken public confidence in the institutions of criminal justice, and rising skepticism about the American promise of equal justice under the law all combine to demand a reappraisal of the efficacy of modern crime control systems, and ACIR undertook a study of the problem. The results of this study were published as *State-Local Relations in the Criminal Justice System* in 1971.[59]

The study found, generally, that the collective operations of police, public prosecutors, public defense counsels, courts, and corrections agencies do not constitute a well articulated system. These operations do not reflect clearly assigned responsibilities, supported by ample and strategic allocation of resources, nor do they afford – much less guarantee – protection for all citizens. They in fact constitute a non-system: police, prosecution, courts, and corrections function too frequently in isolation, or in ways that are counterproductive to each other.

An intergovernmental functional perspective underscores this general finding. The basic state-local problems in criminal justice involve jurisdictional, administrative, fiscal, and interfunctional issues and policies. Moreover, the challenge of developing an effective system entails both a basic determination as to the assignment of various responsibilities among levels and branches of government and the development of effective and responsible mechanisms and relationships that support and enhance day-to-day operations of all components of the system.

The Commission did not conclude that the solution to the problem lay in creating a monolithic criminal justice system in the United States or in shifting responsibilities and duties wholesale from local to higher level jurisdictions. It accepted the fact that much of the system required to control criminal activity must operate at the community level, under local control, and with a high degree of community involvement and support.

On the other hand, the Commission concluded that a highly mobile and interdependent society such as America has become will no longer tolerate widely varying standards of criminal justice in terms of the protection afforded, the caliber of justice meted out, the success of rehabilitative efforts, and the costs incurred. Expenditure patterns and resource allocation for police services must be balanced against resource commitments for legal services, courts, and correctional activities, regardless of the source of the expenditures. Criminal justice services must be available and accessible in all communities in accordance with their needs, not their fiscal capacities. Finally, a strong emphasis on system implies that the operating components – police, prosecution, courts, and corrections – should function in ways that are mutually supporting and harmonious.

Recommendations to the States. In accordance with these conclusions, the Commission made 44 recommendations under six headings: police, courts, prosecution, defense counsel for the indigent, corrections, and interfunctional cooperation.[60]

A. Police

Today more than a half-million public employees are engaged in police work; a small fraction of them serve in the FBI and other Federal law enforcement agencies; over 50,000 in state police forces and highway patrols; and over 450,000 at the local level are deployed through

30,000 separate police forces, 90 percent of them with less than ten full-time personnel.

Modern police departments are called upon to demonstrate the skills of lawyer, psychologist, sociologist, medic, and athlete. But the average police department is undermanned and overworked; its personnel are recruited by outdated methods and are inadequately trained. Where a highly professional service now is needed, a politically oriented system rooted in the past frequently is offered. In a society where people and crime are highly mobile, the police too often are tied to small, inefficient jurisdictions. The Commission made 15 recommendations to improve the police functions.

To upgrade personnel, ACIR called on states to establish councils on police standards, to pay the full cost of local training programs that meet state standards, to encourage higher education programs for police, and to modify restrictive civil service requirements.

To assure that both the police and the citizens know the extent of police discretion, ACIR urged states to clarify their criminal codes, to define the scope of police power, and to provide comprehensive liability insurance for the police in order to protect both them and the public from misuse of police discretionary powers.

To professionalize all police functions, the Commission recommended the abolition of the offices of constable and coroner – offices which have outlived their usefulness – and the modernization or abolition of the sheriff's office. The Commission concluded that the constable is a total anachronism. It suggested that the medical duties of the coroner be exercised by an appointed local medical examiner and his judicial functions by the local prosecuting attorney. As for the sheriff, the Commission suggested that the state give metropolitan counties the option of creating a modern, independent county police force, responsible to the central county executive. If this is infeasible, the sheriff should be assigned countywide police authority, compensated solely by salary and provided civil service tenure.

Perhaps the most basic problem of the police today is fragmentation born out of a deep-seated fear of a "national police force." In most of the metropolitan areas, each locality has its own police force. A burglar fleeing in his getaway car might go through a dozen jurisdictions before anyone becomes aware of his theft. And organized crime can pick the least zealous jurisdiction as a haven from which to operate throughout the entire area. Seven Commission recommendations were directed to closing these gaps. They asked the state or county to assure minimum police services to all areas through interlocal cooperation, if necessary, and to perform supportive services. States should establish specialized police task forces to deal with extralocal and organized crime, and should provide carefully circumscribed extraterritorial police powers for "hot pursuit" of felons. Other recommendations called for strengthening police in rural areas.

Finally, the Commission stressed the need for opening up lines of communication between the police and the citizenry, calling police-community relations a high priority item for all localities.

B. Courts

In a recent address to the American Bar Association, Chief Justice Burger declared that, "In the supermarket age we are with few exceptions operating the courts with cracker barrel, corner grocer methods and equipment, vintage 1900." He went on to list, as many others have done, much needed reforms in the system. State progress in this area is encouraging, but the agenda remains formidable. The ACIR has identified major changes in state-local relations in the judicial field that are minimal to assure reasonably equitable and expeditious operation of state and local courts.

The courts are designed to guarantee the rights of the individual and protect those of society by striking a balance between fairness and effectiveness. But overwhelming case loads in one jurisdiction and part-time judges in another nearby, overlapping jurisdictions, widely varying procedures for trying similar types of offenses, and wide disparities in the quality of judicial personnel all pose a severe threat to the independence, reputation, and functioning of the judiciary.

Most of the country's judicial business is conducted in state and local courts – about 3-million cases a year. Of these, 90 percent are disposed of in the lower courts, where most of the problems lie. In nearly two-thirds of the states, the lower courts are autonomous "little kingdoms" with scant supervision from the higher tribunals. Their justice varies considerably from district to district, depending on the judge, the court docket, and the local budget. The only justice many citizens encounter is the justice of the peace, who often must depend on fines for his livelihood.

To provide one system of justice for all, the Commission recommended that each state establish a simplified and unified court system, and assume full financial responsibility for it. ACIR called for the abolition of the justice of the peace court. It urged that all courts be subject to administrative supervision and direction by the state supreme court, that uniform rules of practice and procedure be promulgated, that flexible assignment of judges be permitted to meet docket needs, and that modern management practices be adopted and a professional administrator be appointed.

The Commission was also concerned with the quality of judges. It urged states to require that all judges be licensed to practice law in the state, that all judges devote full time to their judicial duties, and that they retire at age 70. The Commission endorsed the "merit plan" for selecting judges, whereby commissions representing the bar, the judiciary, and the public screen and nominate qualified candidates for appointment by the chief executive. It also recommended a judicial qualifications commission to investigate complaints against judges and either dismiss the charges or recommend disciplinary action to the state supreme court.

Finally, the Commission called on state and Federal courts to initiate and support the development of state-Federal judicial councils, composed of chief judges of state and appropriate Federal courts to work together to improve intergovernmental relations.

C. Prosecution and Defense Counsel

On behalf of the state, the public prosecutor conducts the prosecution of persons suspected of crime. His decisions affect significantly the arrest practices of the police, the volume of cases in the courts, and the number of offenders placed in the correctional system.

Yet today, in a considerable number of states, more than half the prosecutors work only part time on public business. Also, despite much progress in recent years, the public defender function – a most necessary one if justice is not to be denied to poor people – is underfunded and understaffed in many states.

In order to achieve justice, the American advocacy system assumes a vigorous court fight between competent, well prepared prosecution and defense counsels. But all too often in the cities a politically beholden prosecutor is more interested in the next election than in the case at hand, while in rural areas a part-time prosecutor may be more involved in his private practice than in the public's business. Facing this type of prosecution, an indigent defendant may be represented by an overworked, poorly paid public defender with no time to learn the details of the case, or by an inexperienced or begrudging lawyer assigned at random.

ACIR made six recommendations to upgrade both sides of the courtroom struggle. States should require that prosecuting attorneys be full-time officials. Where prosecutorial districts are too small to support a full-time prosecutor, boundaries should be redrawn to provide enough work and a sufficient financial base to support one. The local prosecution function should be centralized in a single office responsible for all criminal prosecutions. At present, the function is often divided between corporation counsel and prosecutor. The states should pay at least half the cost of investigations by local prosecuting attorneys' offices. Most important, the states should strengthen the authority of the attorney general to oversee the work of local prosecutors.

The Commission also looked at grand juries. It suggested that prosecutors be given the discretion either to use a grand jury or to bring indictments through information procedures. Grand juries should be empaneled often enough to prevent unnecessary court delay. However, ACIR stressed that it does not propose to limit the traditional investigative powers of the grand juries.

To assure a fair trial to indigent defendants, the Commission called on every state to establish a statewide system of counsel. Considerable flexibility can be built into such a system, with public defenders in urban communities and either a coordinated assigned counsel service or "circuit rider" public defenders for rural areas.

D. Corrections

It is said that America's prisons today corrupt more people than they correct. In hardly any area of domestic government have the nation's institutions lagged so far behind the imperative needs of the present. The brushmarks of medievalism and impotence in our correctional systems are spread wide for all to see. More than half the country's larger prisons are over a century old; two-thirds of all released prisoners will commit another crime; prison staffs are small, poorly paid, and inadequately trained; guidance, counseling, and vocational education are inadequate, obsolete, or non-existent. Two-thirds of convicted criminals are under probation and parole jurisdiction; only a third are in correctional institutions. Yet, these institutions account for up to four-fifths of total correctional expenditures and a like portion of total personnel engaged in correctional work.

If the other phases of criminal justice suffer neglect, corrections is the real stepchild of the criminal justice system. Fragmented internally and isolated both physically and administratively from the rest of the system, corrections tends to be forgotten by government and the public alike. Its isolation contributes to a particularly vicious spiral of crime, incarceration, and worse crime.

Commission recommendations would integrate corrections into the criminal justice system, and change from a custodial and punitive approach toward emphasis on rehabilitation. First, the Commission called for massive efforts to raise the priority of corrections by arousing greater public attention, substantially increasing funding, and shifting the policy focus to bring about fundamental reforms.

To reorient the system toward rehabilitation, ACIR urged the strengthening of community-based treatment programs – including probation, work release, youth service bureaus, halfway houses, parole, and aftercare. These can be more effective than institutional care, and are also much cheaper. The Commission further recommended that states and localities authorize work-release programs, and use regional or community intitutions for prisoners who would benefit from such programs. And it suggested expanding and improving academic and vocational training for inmates of adult and juvenile institutions.

To integrate corrections into the mainstream of criminal justice, the Commission urged administrative overhaul of the system. It suggested that states assume full responsibility for juvenile and long-term adult correctional institutions, parole, juvenile aftercare, and adult probation. Local governments should retain operation and a portion of the funding of short-term adult institutions, adult and juvenile detention, and misdemeanant and juvenile probation, but the states should establish and monitor minimum standards for all these functions. The Commission recommended that states consolidate all their responsibilities for correctional activities, except the judicatory functions of parole and pardon, in one department that reports directly to the governor.

To ease the critical problem of comingling untried persons with convicted offenders and to expedite trial, ACIR urged major improvements in detention services and facilities. It called for the use of regional correctional facilities as joint ventures of localities that cannot support adequate programs on their own. Short-term penal institutions should be administered by appropriately trained correctional personnel.

Like other facets of criminal justice, corrections suffers from lack of adequate personnel. The Commission recommended improvements in recruitment, compensation, training, and promotion to attract high quality personnel. States should establish minimum qualifications standards to that end. However, the Commission also realized that qualified corrections personnel are not available in sufficient number to meet needs. It suggested, therefore, the use of paraprofessional and volunteer aids, including ex-offenders rather than former policemen. It called on states to make training and education opportunities available to candidates for these positions.

Responses to the Challenge. Over 40 states have taken legislative or constitutional action to improve their judicial systems. Many have acted to reform their correctional system and its institutions.

Statewide public defender systems have been established in many states to provide indigents with a more qualified defense. State and local prisons and jails are establishing new and more appropriate methods for handling prisoners and increasing their attention to prisoner rights in preparation for their reentry into society. Productive alternatives to incarceration are being used increasingly. Through improved judicial administrative practices, backlogs in courts are being reduced. One of the most far reaching reform actions was the complete overhaul of the corrections system in Massachusetts, revising administration, community services, employment programs, and state-county relations. These are all strong and growing trends in redirecting the judicial and correctional sectors of state and local criminal justice systems.

Federal Action. While the brunt of ACIR's recommendations in the criminal justice field focuses on state and local efforts to control crime, the Commission has also recognized a need for more Federal involvement and responsibility. Major categories of Federal crime reduction programs include:

- support and improvement of Federal, state, and local law enforcement agencies,
- reform and enforcement of Federal criminal laws,
- court administration and prosecution,
- custody and rehabilitation of criminal offenders,
- prevention of crime,
- planning and coordination of state and local crime control activities, and
- crime research and statistics

Federal criminal law enforcement activities, support or improvement of Federal, state, and local police and investigative agencies, and crime prevention services account for most of the Federal expenditures on crime control.

Federal outlays for anti-crime programs have increased considerably in recent years, even though the total is still far less than the expenditures of state and local jurisdictions for police, courts, and corrections. During fiscal 1977, it is estimated that states and localities will spend a total of $17.9-billion for these purposes, while Federal outlays will amount to approximately $3.1-billion.[61]

The Department of Justice has been assigned major responsibility for leading the Federal government's attack on the law enforcement aspects of the crime problem. In addition to the detection, identification, and apprehension of violators of Federal criminal laws and the subsequent rehabilitation of offenders, and the provision of a wide range of programs related to crime research and statistics, the Justice Department, through the Law Enforcement Assistance Administration (LEAA), provides funds for training state and local police and for loans to enable full-time students and in-service policemen to enroll in college degree programs. Other training assistance to state and local law enforcement agencies is offered by the FBI's National Academy and by the Bureau of Narcotics and Dangerous Drugs. The department, through the Bureau of Prisons, supports correctional programs for state and local governments and, through LEAA funds, assists state and local governments in undertaking juvenile delinquency prevention and control projects and the reform of their criminal laws.

Over a dozen other Federal agencies administer programs which involve direct Federal crime reduction programs or support state and local endeavors on that front. The Department of the Treasury, the Post Office Department, the Department of the Interior, and the Department of Agriculture are chief among the agencies administering the first type of programs, while the Department of Health, Education and Welfare, the Department of Housing and Urban Development, the Veterans Administration, and the Department of Transportation have been chief among the agencies offering the latter type of programs.

Until 1965, the Federal government had not sought to become a major actor in national crime control activities. In March 1965, however, President Johnson announced the establishment of the President's Commission on Law Enforcement and Administration of Justice to probe the causes of crime and to recommend ways to improve its prevention and control. The President also proposed enactment of a "Law Enforcement Assistance Act" to bolster state and local crime reduction capabilities, and six months later Congress enacted one. The basic thrust of this legislation was to generate new approaches and techniques, and to upgrade existing practices and capacities for dealing with problems of crime. It was a project-type program, funded only at a demonstration or experimental level ($21.999-million over the first three years of operation), and administered by the Attorney General through the Justice Department's Office of Law Enforcement Assistance.

The act served to encourage state and local governments to undertake the improvement of their law enforcement and criminal justice systems in a variety of ways. Indeed, there were far more requests for aid from state and local agencies than the appropriated funds made possible. By 1968, however, crime rates were still rising and support was mounting in Congress and in the nation as a whole for a greater Federal commitment to reducing crime in the nation. President Johnson responded by proposing the "Safe Streets and Crime Control Act" in his special message on crime to Congress on February 6, 1967. The proposed act incorporated many of the recommendations advanced by the President's Commission in its final report, which had just been submitted to the President.[62] The Commission concluded that greater Federal resources should be made available to support new approaches to the improvement of the overall law enforcement and criminal justice system in the United States.

After extensive debate and modification, the *Omnibus Crime Control and Safe Streets Act* was enacted in the spring of 1968 and signed by President Johnson on June 19, 1968. In summary, Title I of the act constitutes the Federal government's first comprehensive grant-in-aid program for preventing and controlling the spread of crime. It represented, as already demonstrated in *Chapter 2*, a new type of block grant approach with a required "pass through" to localities. The act relies heavily on state governments as planners, administrators, coordinators, and innovators. The state's overall role is to act as a catalyst in bringing together previously isolated components of the law enforcement and criminal justice system and coordinating, directing, and supporting their efforts in a comprehensive attack on crime. Federal responsibilities were to be handled by a three-member Law Enforcement Assistance Administration rather than by a single director.

Each of these points stimulated debate and controversy, which wracked the program at every step of its implementation. Because of the intergovernmental implications, the ACIR decided to include the act as a major component of its investigation of intergovernmental relations in the nation's criminal justice system in 1970. In 1975, the Commission reexamined the Safe Streets block grant experience as part of its assessment of the intergovernmental grant system.[63]

The most controversial and crucial issue in the *Safe Streets Act* has been the desirability of block grants, channeling Federal funds through the states on a broad program basis, rather than direct Federal grants to states and localities on a project-by-project basis. The Commission has urged retention of the block grant approach, which it stated, "represents a significant device for achieving greater cooperation and coordination of criminal justice efforts between the states and their political subdivisions." The Commission also has asked Congress to refrain from categorization of the block grant and to remove from the act provisions earmarking funds for corrections and juvenile justice that were added in 1971 and 1974.

The program is administered in each state through a state planning agency, which, in turn, operates under the direction of a supervisory board of elected and appointed state and local officials and citizens-at-large. Criticism had been leveled that these boards are functionally oriented and inadequately representative of elected local policymakers and the people. This was due in part to Federal guidelines which specify eight categories of officials that must be represented on the boards. The Commission recommended that states provide for greater participation by representatives of the judiciary on these bodies.

Forty-three states use regional bodies to help administer the act at the substate level. There had been charges that the regions are state-imposed entities which do not represent their constituent local governments and are not responsive to them. The Commission recommended that states retain and strengthen these regional entities, and that Congress amend the act to encourage SPAs to integrate these units with general purpose regional planning organizations – UMJOs – and to ensure that local elected chief executives and legislators would account for a majority of the membership of regional supervisory boards.

Critics of the block grant approach usually claim that the states do not distribute sufficient funds to high crime areas. The Commission recommended that no change be made in the act to earmark additional money to jurisdictions having high crime rates. However, it did call upon Congress to amend the act to authorize major cities and urban counties, or combinations thereof, as defined by the state, to submit comprehensive plans to the SPA. Upon approval of such plans, a "mini-block grant" award would be made to the jurisdiction(s) with no further SPA action on specific applications being required.

A major intent of the 1968 law was to stimulate a comprehensive approach to planning for law enforcement and criminal justice needs. The Commission noted that unrealistic deadlines and inadequate SPA authority had limited the usefulness of this process and had contributed to the image of SPAs as primarily planners for the dispersers of Federal aid. Hence, it recommended that Congress replace the amount plan requirement with a provision that SPAs prepare five-year comprehensive plans and submit annual statements on implementation to LEAA for review and approval. It urged the governor to authorize the SPA to (a) collect data from other state criminal justice agencies, (b) review and comment on their appropriations requests, and (c) engage in planning for and evaluations of the whole criminal justice system. It called upon the legislature to give statutory recognition to the SPA, and to review and approve the state agency portion of its plan, and to exercise more effective fiscal and substantive oversight of SPA operations.

The act places a ceiling on grant funds for personnel compensation. There had been complaints that this hampered state and local efforts. The Commission therefore recommended that the Congress remove the ceiling.

Some of the early controversy over the act centered on Federal administrative organization – that a three-headed structure hindered expeditious decision making and was not conducive to pinpointing responsibility. In 1970, the Commission recommended that Congress establish the position of director of law enforcement and criminal justice to be responsible for administering the act. He would be one of the three-member LEAA, appointed by the President and acting under the general authority of the Attorney General. In 1971 Congress adopted a somewhat similar approach in its new legislation. More recently, concern has focused on LEAA's administrative procedures, particularly that they have produced inordinate red tape, delays, and administrative costs. The Commission recommended that LEAA develop meaningful standards and performance criteria for SPA plans and funding decisions, and more effectively monitor and evaluate state activities.

Water Services

Few governmental activities, if any, are more essential to day-to-day life within the modern metropolis than the provision of water and the disposal of sewage and storm water. Solving water service problems for metropolitan areas affects so many people, involves so much water, and entails such large expenditures of money that it commands serious attention. At the height of the Battle for Britain in World War II, Winston Churchill was reported to have said that the only time he feared for the survival of London was when bombing threatened to disrupt "the drains" – its sewage disposal system.

The National Water Commission underscored the challenge posed by water services as follows:

> Urbanization creates drastic environmental

changes. Landscapes are filled. Natural surfaces are dotted over with buildings and water-absorbing land is sealed with paving that accelerates and augments runoff. Some water flows are diverted, withdrawn, used, and discharged back to their watercourses as effluents. At the same time, people concentrated in high-density complexes desire the amenities of open space and water-related recreation. Water managers are going to be called upon increasingly to help furnish these amenities along with the basic water services they must provide to meet the demands of urban development.[64]

Inherited Government Roles. All three levels of government are active in the provision of water services.

Water supply and sewerage demand attention by local governments either because these services are publicly provided, or because the private firms providing these services are subject to various forms of regulative control by local governments. Yet, few if any other public services illustrate more vividly the complications that have resulted from the recent rapid development of today's metropolitan "spread cities" – because of a lack of corresponding major adjustments in inherited governmental structural arrangements.

From very early days, urban local governments have had to deal with the problem of sewage collection and disposal. This function is recognized everywhere as a significant public responsibility for closely settled areas. Until recently, however, the installations and practices involved often left much to be desired.

Water supply systems within the nation's metropolitan areas number several thousand, and relatively few of them include more than a few square miles of territory. The New York metropolitan region, for example, is served through "a hodge-podge" of 619 independent water systems serving 279 governmental units,[65] and the Chicago metropolitan area has 349 separate water supply systems and 135 separate wastewater disposal systems.[66] Such localized municipal operations are not always limited to the area of the parent government. Especially for water supply, and less commonly for sewerage, service may be extended to adjacent territory through contractual arrangements with individual customers, associations or developers, or other governments. Municipal operations also are supplemented by special districts, usually organized primarily to serve unincorporated territory.

Some counties also provide water supply or sewerage services. But, while authorized in about half the states, such county operations are relatively few and scattered.

Local public water supply typically is handled on a financially self-sustaining basis, with charges set high enough to cover not only operating costs but also debt service. Some municipalities, particularly in the South, have water rates high enough to provide a considerable net surplus to help finance other functions. This is the equivalent, of course, of a sizable tax upon water.

Special districts that provide sewerage service generally rely on service charges for their financing, and many municipalities also impose sewerage charges (usually related to water use). However, the rates often are too low to cover all related costs, and the difference must be made up from tax revenues.

Local governments also have an important regulative role with regard to water supply and waste disposal practices. Municipally imposed land use controls and building regulations prescribe standards for private installations. Also, county health agencies often administer state-imposed requirements concerning suburban private wells and septic tanks, the testing of water, and inspection of industrial waste disposal practices.

At the state level, most states have an agency with power to classify surface water sources and to assign priorities to competing uses – such as agricultural, industrial, and municipal. State health agencies also regulate community water and sewage facilities, usually with the responsibility for testing water, reviewing plans for new water and sewer systems and extensions, and policing industrial waste disposal practices. In most states, the state health department (or environmental protection agency) also has a role in subdivision control, being authorized to require that adequate water and sewer facilities are provided in new developments. The inadequacies of individual well and septic tank systems increasingly have indicated the need for more stringent regulation. State regulation of industrial water pollution often has been handicapped by threats that the requirements of costly clean-up installations would damage local firms' competitive position and cause them to move elsewhere. Recent Federal legislation is designed to lessen this problem by backstopping more vigorous state regulation and injecting Federal regulation in the absence of state action.

Only in very recent years have any states provided grants to local governments to help finance their water or sewer facilities, and a considerable number still are not doing so. State technical assistance to local governments and agencies is more common. One of the broadest approaches taken thus far is the State Pure Waters Authority, created by New York in 1967. That agency, with bond issuing power, is authorized to make loans to municipalities for sewer system development, and, by contract with individual municipalities, to construct, maintain, and operate sewage treatment plants on their behalf.

The Federal role, like that of the states, extends considerably beyond urban or metropolitan area needs, and includes a broad concern for health, environmental protection, and the conservation of natural resources. The Federal government early engaged in reclamation services and helped farmers both conserve water and develop water services. As a part of its interest in national resource development, it has also fostered water projects. More recently, it enacted safe drinking water legislation, which will eventually bring about the establishment of permanent purity standards for urban water systems to meet. Since the law was only signed by President Ford on December 17, 1974, and since under its timetable, formulation of standards and putting them into effect will take until January 1979, it is premature to consider the impact of the law on America's urban areas.

In any case, Federal concern has chiefly been for water quality, and it is here that ACIR has directed its chief attention. This aspect of the Federal role dates from the *Rivers and Harbors Act of 1899*. Not until 1961, however, was the national government's pollution control jurisdiction extended to include *all* navigable water bodies, rather than only interstate waters.

In 1965 and 1966, new enactments considerably strengthened the ability of the Federal government to attack water pollution problems more broadly and directly. All states now are required to develop standards for water purity that are equal to, or better than, a specified Federal minimum. Furthermore, states must now maintain interstate streams and their intrastate tributaries up to the Federal standard or an approved state standard of quality. Thus, the nationwide system for quality control is not limited by jurisdictional boundaries.

1972 amendments to the *Federal Water Pollution Control Act* had the objective of restoring and maintaining the chemical, physical, and biological integrity of the nation's waters.[67] In order to achieve this objective, two national goals were declared. First, the discharge of pollutants into navigable waters should be eliminated by 1985; and second, that wherever attainable, an interim goal of water quality which provided for the protection and propagation of fish, shellfish, and wildlife, and for recreation in and on the water, should be achieved by July 1, 1983. These goals were to be accomplished by meeting certain effluent limitations.[68] Publicly owned wastewater treatment plants must provide a minimum of secondary treatment by July 1, 1977. By July 1, 1983, publicly owned treatment plants will have to provide the best practicable waste treatment technology over the life of the plant.[69]

Other important provisions of the *1972 Federal Water Pollution Control Act Amendments* were:

1. Industries were required to pre-treat effluents that they discharged into municipal sewers.

2. States were required to adopt intrastate water quality standards by April 1973, and if they failed, the EPA would impose standards. The governor is to approve regional water quality areas, adopt the boundaries of problem areas, and certify regional agencies to do the necessary planning. Once a plan is adopted by a regional agency, Federal funds will not be made available to any facility not a part of the plan. The regulations developed under the act state succinctly: "The states have overall program control for such planning to assure conformance with the state management plans. . . ."

3. A new permit program replaced the program started under the *1899 Refuse Act*.

4. Both civil and criminal penalties could be applied to polluters (Section 309).

5. The Executive Branch was ordered to initiate international agreements that would control water pollution.

6. Any citizen whose interests were adversely affected by pollutants could sue the polluter for violating effluent limitations or sue the EPA for failure to enforce those limitations (Section 505).

Costs. Local government expenditures in recent years for water supply and sewerage services have accounted for about one-twelfth of all expenditures by local governments in metropolitan areas, or about one-eighth of all their spending for nonschool purposes. And this spending has been rising. However, the growth in capital outlay for these purposes has been less rapid than for other local government facilities, and the bulk of this increase was attributable to rising construction costs.

The bulk of all capital outlays for water supply and sewer systems has traditionally been financed by borrowing. This is particularly true for sewerage facilities. Citing a 1971 study, the National Water Commission observed that "combined capital and other current expenditures in 38 of the nation's SMSAs in 1969 for water supply and waste collection and disposal were estimated at $30.50 per capita and represented 20 percent of total capital outlays and 4 percent of other current expenditures, respectively."[70] Both the amounts and percentages can be expected to rise dramatically in the future to achieve higher standards of water pollution control."[71]

Local financing for water and sewer facilities has been supplemented to a limited degree by Federal grants. Initially, the aid was provided by public works programs in the 1930s. A 1948 act authorized Federal loans for sewer system construction, but no funds were provided. Then, in 1956, a $50-million-a-year grant program was initiated, heavily loaded in favor of small systems (with a maximum Federal contribution of $250,000 per project).

The *Federal Water Pollution Control Act of 1966* and its 1972 amendments authorized sizable increases in Federal grants for waste treatment facilities. Actual appropriations under both acts have been considerably below the authorized level, as *Table XVII* indicates. And to add insult to injury, President Nixon vetoed the 1972 amendments. Congress overrode his veto, but almost at once President Nixon impounded $5-billion of the $11-billion authorized for sewage treatment facilities during FY 1973 and FY 1974. A year later, he impounted $4-billion of the $7-billion authorized for FY 1975. And in September 1974, President Ford, now using the *Budget and Impoundment Control Act of 1974*, deferred the $9-billion.

These impoundment actions brought forth a response of both outrage and frustration from municipalities which were caught between the inability to fund wastewater treatment facilities without Federal aid, on the one hand, and the pressure of the 1977 and 1983 effluent guidelines on the other. Very quickly a number of lawsuits were filed to contest the validity of impoundment. One of those cases, *Train v. City of New York*, was ultimately appealed to the U.S. Supreme Court. On February 18, 1975, the Supreme Court ordered allotment to the states of the full $18-billion authorized by Congress for water pollution control. This ruling freed the states to plan antipollution projects once more.

As required by law, the Federal Water Pollution Control Administration (now the EPA) has estimated the public outlays that would be needed to bring municipal sewerage practices into conformity with Federal water pollution control standards. Russell E. Train, EPA Administrator, reported at the end of 1973 that

> A survey made by EPA in mid-1973 estimates that the costs of municipal treatment and collection facilities eligible for Federal funding will be $60-billion (1973 dollars). This is comparable to the total dollar investment made in the sewerage systems of the nation since 1855. Of the estimated $60-billion, $36-billion is needed for waste treatment plants and interceptor sewers, and $24-billion for correction of infiltration/inflow problems, new collectors, and combined sewer overflows.

But the $60-billion, EPA concluded, is less than the total actually necessary to provide totally adequate facilities. Estimated costs in the survey (information for which was supplied by the states and municipalities themselves), in addition to not taking inflation into account, do not reflect the additional costs of meeting the revisions in water quality standards now underway in many states, and they reflect "only a fraction of the total expenditures that could have been [included] if more localities had completed the required studies." Indeed, EPA concluded, the total costs of constructing needed sewerage facilities may well amount to slightly more than twice the $60-billion in the official estimate.

In addition to the construction costs of new facilities, the EPA report goes on to note that local governments will also have to bear "the considerable increased annual cost of operating, maintaining, and administering public sewerage facilities and services."

To meet the goal of public sewerage construction costs alone, state and local outlays between 1974 and 1980 are projected to require "a larger portion (11.6%) of their total capital expenditures" than they have been accustomed to allotting for that purpose, amounting in dollars to some $12.9-billion between 1973 and 1980. State and local outlays for the same purposes between 1961 and 1970 were only $9.8-billion. Put another way, even counting on EPA grants to make up a large part of total outlays, "State and local governments will be called upon to contribute approximately $2-billion annually [through 1980]. This is approximately twice what they supplied annually from 1961 through 1970."

The 1973 evaluation concluded, however, that despite the dollar amounts and the large increases they represented over the past, "other things being equal," "economic impacts and other constraining forces . . . should not significantly retard the accelerated

Table XVII

Municipal Sewage Treatment Construction Grants, 1948-1972

Fiscal Year	Authorization (millions)	Appropriation (millions)	Obligations[a] (millions)	Expenditures[b] (millions)
1948	22.5	0	0	0
1949	22.5	0	0	0
1950	22.5	0	0	0
1951	22.5	0	0	0
1952	22.5	0	0	0
1953	22.5	0	0	0
1954	22.5	0	0	0
1955	22.5	0	0	0
1956	22.5	0	0	0
1957	50.0	50.0	50.0	0.8
1958	50.0	45.7[d]	45.7	16.8
1959	50.0	46.8[d]	46.8	36.4
1960	50.0	46.1[d]	46.1	40.3
1961	50.0	45.6[d]	45.6	44.1
1962	80.0[c]	80.0	80.0	42.1
1963	90.0[c]	90.0	90.0	51.7
1964	100.0[c]	90.0	89.6	66.4
1965	150.0[c]	90.0	88.2	69.8
1966	150.0[c]	121.0	120.9	81.5
1967	150.0	150.0	150.0	84.5
1968	450.0	203.0	203.0	122.1
1969	700.0	214.0	214.0	134.5
1970	1,000.0	800.0	800.0	176.4
1971	1,250.0	1,000.0	997.0	478.4
1972	2,000.0	2,000.0	2,000.0	413.4
1973	7,000.0[e]	3,900.0[f]	2,989.0	684.0
1974	6,000.0	3,000.0	2,625.0	1,553.0
1975	7,000.0	4,000.0	3,759.0	1,956.0

[a] Agreements to fund projects. They will appear in future expenditures.

[b] Actual outflows of cash.

[c] P.L. 84-660 at first authorized $50-million for FY 1957-1966. Authorizations of $80-million for FY 1962, $90-million for FY 1963, and $100-million for FY 1964-1966 were made by P.L. 87-88. P.L. 89-234 increased authorizations for FY 1965 and 1966 to $150-million.

[d] Includes supplemental requests and appropriations.

[e] Includes $2-billion for reimbursement to municipalities for prior construction.

[f] Includes $1.9-billion for reimbursement to municipalities for prior construction.

SOURCES: U.S. Environmental Protection Agency, *Clean Water – 1973*, p. 38 and *Review of the Municipal Waste Water Treatment Work Program – 1974;* U.S. Congress, House, Committee on Public Works, *Laws of the United States Relating to Water Pollution Control and Environmental Quality*, Committee Print, 93-1 (Washington, D.C.: Government Printing Office, March 1973). (Hereafter referred to as Committee on Public Works, *Laws*.)

program launched by the 1972 amendments to control pollution from municipal (and industrial) sources." In particular, it observed,

> Local governments, with few exceptions, will have adequate capability to finance their share of building sewerage systems. The combination of the state grant/local programs, the U.S. Environmental Financing Authority and the Farmers Home Administration loan program should be able to assist an individual municipality having a financial problem.[72]

The National Water Commission also approached the problem of financing the future water needs of metropolitan areas in its 1973 report. It concluded that "ultimately water services should be supported from their own revenues."[73] It recognized the multitude of tax problems which local governments in metropolitan areas face, particularly the problem of the inflexibility of the property tax as a revenue base, and the increasing competition of demands on local fiscal capacities. Even so, it noted the increase in local tax revenues in recent years, and concluded that "Based on general financial trends established during the 1960s, metropolitan areas appear to be able to continue to make substantial contributions to capital costs and current expenditures for future water supply and sewage facilities, assuming the intergovernmental revenues, both from the state and Federal governments, to metropolitan areas are effectively spent where necessary to assist cities to catch up with federally imposed water quality requirements."[74] That assumption has yet to be validated by either level of government.

Metropolitan Problems. In addition to rising costs, other problems arise in the provision of water services to metropolitan areas.

With a growing urban population, the amount of water supplied by community water supply systems has been rising steadily. The water volume involved sounds very large – 26-billion gallons a day in 1967, or some 170 gallons daily per resident in the areas served by community water systems. Nevertheless, such public utility demands make up only a very small fraction of all the nation's water use, and are dwarfed by the requirements for agriculture, industry, and steam electric utilities.[75]

While there are some notable exceptions, most major urban areas have access to surface or groundwater sources that are sufficient in volume to meet their present and prospective water needs. However, the question of adequate water quality for urban domestic use is another matter. There can be no question that "used water" must be relied upon for an even greater share of the nation's total urban water needs in the future. Moreover, with continued metropolitan growth, most of the expansion in community water needs will occur in areas where the relatively close settlement of a large population multiplies the chances for contamination and thereby increases the need for governmental action to assure not only an adequate volume but also a safe and palatable supply of water for domestic and other urban uses.

The growing role of the states and the Federal government with regard to water pollution control reflects a belated recognition that traditional localized approaches are no longer adequate. Understandably, in earlier decades, municipal efforts focused almost entirely on supply, and largely ignored the condition of the water discharged. A city might never develop without a good supply of water, but, once used, "our used water" became "their pollution problem."

It is mainly political and financial arrangements that prevent more effective handling of the water supply and sewerage requirements of metropolitan areas. A whole range of factors often stands in the way of sensible and foresighted action.

In the first place, the inherited multiplicity of local jursidictions concerned with water supply and sewerage in a particular metropolitan area seldom has any relationship to the watershed that collects the water or the drainage area that takes the sewage. Even entire counties or metropolitan areas rarely correspond closely to watersheds or drainage basins. This local diffusion of governmental responsibility also discourages the development of large-scale installations which are likely to offer important economies.

Common characteristics of urban fringe development also result in short-range and small-scale approaches that all too soon are likely to produce unsatisfactory conditions and a multiplication of costs. In the scattered and initially "thin" pattern of settlement around urban centers, families rely on individual wells and septic tanks. This practice postpones the need for a public system, but the individual systems often cause trouble and expense to the homeowners, and maintenance costs often rise sharply over time. High fire insurance costs reflect the inadequate protection afforded by individual wells. With additional settlement, community facilities become increasingly necessary and economical. Yet, homeowners with their own septic tanks understandably may be reluctant to share in the costs involved, or at least may seek the cheapest shortrun solution – usually a small community network. Thus, the homeowner may pay twice or more for his water supply and sewage disposal facilities, as individual and then small-area community systems give way to successively larger, more economical arrangements. Despite these statistics, however, many homeowners still find it financially attractive to build out ahead of water and sewer utilities, depending upon wells and septic tanks in the meantime, since appreciation in land value usually more than compensates for the diseconomies detailed above.

The usual procedure for financing sewerage construction – bond financing – tends to encourage relatively small-scale and short-range development of suburban facilities. Unless a project involves a geographically large special district or a county government, support for the bond issue is likely to be limited to the present property tax base of a small local area, and debt service requirements are typically met from revenues that at the outset will be modest, even if future urban development may promise to increase them. Under such circumstances, obviously it is hard to finance extra capacity for probable future needs. This practice further increases the total long-range cost for water and sewerage facilities, since the limited amount of bonds issued by small-scale governments must usually carry a higher interest rate than bonds issued by larger units having a broader fiscal base and a better credit standing.

A piecemeal approach to the water and sewer facility needs of metropolitan areas results also from the strong competing pressures that urban areas – especially suburban jurisdictions – commonly face at the same time for other kinds of expended governmental physical plant, including public schools. Although local government expenditures for additional school plant may well decline in the future, as the birth rate falls, other demands – housing and suburban facilities, for example – can be expected to replace those traditionally made for new schools.

Some Local Approaches. Various means have been employed to overcome the damaging effect of these conditions in metropolitan areas. As previously mentioned, contractual arrangements between a sizable city and one or more suburbs are a common approach. Sometimes the service is provided directly to outlying residents, and sometimes the city wholesales water or, less often, sewage disposal service, to suburban systems which then retail the service to their own residents. The Federal government estimated in 1969 that more than 35 percent of all municipalities provide some sewerage service to customers outside their boundaries.[76] Some sizable special districts also "wholesale" to smaller local distribution systems.

In some metropolitan areas, more fundamental approaches to larger area handling of water and sewer services have been attempted. These include, as already mentioned, county government operation or the use of special districts and authorities.

The special district, if it covers a large area, may offer important advantages over separate municipal systems which serve only fragments of a metropolis. However, in its usual form, the special district approach also has certain disadvantages. In most instances, entirely separate districts have been set up, one to deal with water supply, another with sewerage. This single function approach may be understandable historically in areas where public water systems are established early, while privately installed septic tanks are being relied upon for sewage treatment. Then as public sewer systems become necessary a little at a time, the areas involved do not coincide with the much larger water district.

But separate single-function districts, as has already been demonstrated, add further to the excessive expense, complexity, and layering of local government in the metropolitan area. After all, the same water resource is affected by both water and sewer programs and similar technicians are needed to deal with both. And, especially in the absence of specific arrangements to relate such units closely to general purpose governments within the area, such layering may add to the difficulty of relating plans for water supply and sewerage – which have such an important bearing on the form and direction of metropolitan development – to health regulation, environmental protection, zoning and building regulation, and the provision of roads and public transportation.

ACIR Proposals. The Advisory Commission on Intergovernmental Relations undertook a study of water service problems, and in its 1962 report, entitled *Intergovernmental Responsibilities for Water Supply and Sewage Disposal in Metropolitan Areas,*[77] it made a number of recommendations to alleviate those problems. Most of the issues addressed in that report remain current, and some have become even more serious. Most of the Federal proposals have since been implemented or have become less relevant in the light of the considerable broadening of the national government's role by the *Water Pollution Control Act of 1965* and subsequent enactments. Some of the state recommendations have also been implemented, but the National Water Commission made additional recommendations in its 1973 report. That commission emphasized the importance of local governmental consolidation of the "separate tasks in providing water services to achieve economies of scale" and coordination of "the planning for water services with the planning for land use and occupancy. They also called for the involvement of landscape architects, recreation specialists, and urban planners in the planning of water services" so as to provide maximum "recreational and esthetic benefits to metropolitan area residents" from water service activities. In addition, the National Water Commission called for a series of state government actions to improve metropolitan area water management, including adoption of a state water resources plan, and state authorization of metropolitan water management authorities, interlocal agreements regarding water services, and extraterritorial jurisdiction for water resources management agencies. Most of its recommendations underscored those of ACIR.

ACIR noted many problems and limitations with intergovernmental contracting for water supply and sewerage services. Nonetheless, it recognized that such arrangements have, in some metropolitan areas, offered advantages of geographic and operating scale, as compared with other politically feasible alternatives. Accordingly, the Commission urged:[78]

> Where central cities, counties, and other jurisdictions provide water or sewer service to other units of government on a contract basis, they should assume the responsibility for comprehensive areawide facility planning . . . the supplier-buyer relationship between municipality and suburb in specific instances might be eased through providing for suburban representation on water and sewer policy agencies.

The usual unrepresentative character of the contractual relationship can produce considerable intergovernmental antagonism. Many contracting central cities resist sharing their decision-making authority. However, such tightly held control is not a necessary part of the contract structure: the semi-autonomous system in Detroit, where only four out of seven commissioners are Detroit residents, has an excellent operating and financial record and enjoys harmonious relations with the suburbs it serves.

ACIR emphasized, as did the National Water Commission, the crucial importance of comprehensive planning within metropolitan areas. Specifically:[79]

> The Commission recommends that comprehensive water utility planning on a metropolitan area as well as watershed and drainage basin basis, should be undertaken in each metropolitan area. . . . Primary responsibility for this function is best lodged in an areawide comprehensive planning agency. . . .

The Commission further recommended that local units of government coordinate utility policy making on a regional basis, regardless of the number of operating agencies in the metropolitan area.

Even in those metropolitan areas where attention has been given to regional considerations in water and sewerage planning, such efforts typically have been "utility" oriented, with too little concern for the potential of water and waste disposal facilities as a tool for shaping urban settlements. Thus, in these areas too, extension of water and sewer services has tended to follow development rather than guide it.

The existence or creation of an operating metropolitan utility does not guarantee broad-gauge planning either. It is no substitute for a metropolitan planning agency with primary responsibility for developmental planning.

The Commission urged the states to act in this field too. They should equip themselves to develop and carry out a coordinated water resources policy, step up their antipollution efforts, and stimulate related local activities.

Until recently, few if any state governments have exercised a sufficiently vigorous role concerning water resources. Traditionally, water pollution control, water allocation, water resource development, and other phases of the overall water resources problem have been dealt with independently by separate state agencies and boards. With rapidly growing water use and increased pollution, the need for the establishment of a comprehensive water resources program in each state has become more pressing. Commending steps under way in this direction in some states at the time of its 1962 report, the Commission recommended:[80]

> . . . . that states enact legislation vesting responsibility for overall state water resource planning, policy making, and program coordination in a single agency. . . . State water resource planning and policy development should give urgent consideration to the requirements and problems of urban areas. Each state should also insure that the interests of its urban areas are provided for in the state's representation on interstate water agencies.

The National Water Commission also recommended that Congress invite the states to enter into interstate compacts to solve the water problems of multistate metropolitan areas.

The states have ample authority, through the exercise of the police power, to abate water pollution. ACIR found in 1962, however, that state performance was critically deficient – less the result of inadequate laws than of substandard effort. In turn, inadequate financing and staffing of state water pollution agencies was partly responsible. But, even greater was the political difficulty of requiring municipal and industrial water polluters to undertake costly treatment measures, especially when the benefits of such action might not accrue primarily to them, but to the entire area. Moreover, such benefits are extremely difficult to measure, even though they extend to health, recreation, conservation, property values, and general development.

As a result, the Commission found, state regulatory agencies typically had relied unduly upon "voluntary cooperation," which in many instances permitted anti-pollution action to be unduly postponed or entirely avoided.

Accordingly, the Commission urged:[81]

> . . . that the states enforce water pollution legislation and regulations affecting public health and recreation, municipal, industrial and other uses with greater vigor and thoroughness. Specifically . . . that (a) strengthened legislation be enacted to permit states, singly or jointly, to control and abate pollution of rivers and streams, (b) states undertake more vigorous administration of their water pollution control programs, including adequate financial support, and (c) legislation be enacted endowing the appropriate state and local agencies with regulatory authority over individual wells and septic tank installations, with a view to minimizing and limiting their use to exceptional situations consistent with comprehensive land use goals (the National Water Commission made a similar recommendation.) . . . The state legislatures should provide time limits for each step in the pollution abatement enforcement procedures.

Traditionally, the burden for financing of public water supply and sewerage facilities has fallen nearly entirely upon individual local communities. Only relatively minor amounts of aid have been available (particularly for sewage treatment installations) from the Federal government, and until very recently no more than a handful of states have made any grants-in-aid for these purposes. Predominantly, the role of the states has been limited to regulation, supplemented in some instances by technical advice and assistance to local communities.

In view of the serious lag in needed investment in public water supply and sewerage facilities, especially to abate water pollution, the Commission found an urgent need for a broadening of the states' traditional role, and recommended:[82]

> . . . that the states enact legislation to (a) provide grants for capital development and assistance improvements designed to supplement Federal aid under the *Water Pollution Control Act*. . . . , (b) provide incentives for comprehensive development and appropriate organization on watershed, drainage basin, or metropolitan area bases, . . . [and] expand their technical assistance programs for waste disposal planning and construction. . . .

Recent Attention to Water Supply

While most attention has been devoted in recent years to the *quality* of water in the United States, there has recently been concern voiced that the *quantity* of water may not be adequate to meet future needs. In April 1975, Secretary of the Interior Rogers C.B. Morton called for "a review of the role of water in meeting our national objectives."[83] Such a review may well include consideration of whether such laws as the *National Environmental Policy Act of 1969* and the *1972 Federal Water Pollution Control Act* do not need modification in terms of current exigencies and increasing future demands. The National Water Resources Council makes water inventories on the basis of 21 regions. The first nationwide inventory since 1968 is now in progress. When its findings are released, they may reveal the presence of some regional shortages, especially in the West. Thus, the next phase of interest in water may reflect the need to increase its supply.

There is also the likelihood that the confusion of governmental roles may become acute in the water service area. President Ford voiced concern when he signed the *Safe Drinking Water Act in 1974* about the extensive "Federal involvement in what has traditionally been state and local regulatory matters," and the 1975

National Conference on Water in Washington paid a good deal of attention to Federal-state water management relations. One speaker expressed the conviction "that we must return to the situation in which states exercise most powers, with the Federal government acting as coordinator. Continuation of Federal encroachments into state rights can only bring chaos to the field of water services management."[84]

Continued attention to the water service function thus seems to be foreordained.

CONCLUSION

This chapter has attempted to review functional assignment as it has developed in the United States, to analyze some of the problems for functional effectiveness which governmental fragmentation has produced, to suggest a way to achieve better coordination of single function programs at the specially important substate regional level, to go into and present a scheme by which all levels of government in the United States can work to reallocate functions along rational and planned lines, and to present the specific recommendations of the Advisory Commission on Intergovernmental Relations as to improved functional performance in the critical areas of urban transportation, crime control, and water-sewerage services.

The political difficulties of moving in the directions suggested here have been mentioned. No doubt, these difficulties will be overcome only with great effort. Until functional performance is freed from the traditional pattern of allocation by intergovernmental happenstance, however, urban residents will not receive the level of services to which they are entitled, and federalism will be far less effective than it might be.

FOOTNOTES

[1] William Seal Carpenter, *Problems in Service Levels. The Readjustment of Services and Areas in Local Government* (Princeton: Princeton University Press, 1940). The quotations in the following pages are from pp. 3-38, 124.

[2] As settlers moved into the Northwest Territory, they did undertake "to establish a counterpart of the New England town with the school instead of the church as the nucleus of town life." Carpenter, p. 35.

[3] Vernon L. Parrington, *Main Currents in American Thought* (New York: Harcourt, 1930). Vol. 1, p. 345.

[4] Alexander Hamilton's phrases in his letter to James Duane, September 3, 1780.

[5] See Carl Bridenbaugh's two volumes, *Cities in the Wilderness* (New York: Ronald, 1938) and *Cities in Revolt* (New York: Knopf, 1955).

[6] Thomas H. Reed, *Municipal Management* (New York: Mcraw Hill, 1941), p. 7.

[7] See Arthur M. Schlesinger, *The Rise of the City*, 1878-1898 (New York: MacMillan, 1933).

[8] See Report of the *Joint Federal-State Action Committee to the President of the United States and to the Chairman of the Governors' Conference*. Progress Report No. 1 (Washington: U.S. Government Printing Office, 1957).

[9] James L. Sundquist with David W. Davis, *Making Federalism Work. A Study of Program Coordination at the Community Level* (Washington: Brookings, 1969), p. 10.

[10] ACIR, *Substate Regionalism in the Federal System*: Vol. 1 – *Regional Decision Making: New Strategies for Substate Districts* (A-43); Vol. 2 – *Regional Governance: Promise and Performance* (A-41); Vol. 3 – *The Challenge of Local Governmental Reorganization* (A-44); Vol. 4 – *Governmental Functions and Processes: Local and Areawide* (A-45); Vol. 5 – *A Look to the North: Canadian Regional Experience* (A-46); Vol. 6 – *Hearings on Substate Regionalism* (A-43a), (Washington, D.C.: U.S. Government Printing Office, 1973-74).

[11] ACIR, *Urban America and the Federal System* (M-47), pp. 98-100.

[12] ACIR, *Performance of Urban Functions: Local and Areawide* (Washington, D.C.: U.S. Government Printing Office, 1963).

[13] *Ibid.*, p. 6.

[14] *Ibid.*, p. 115.

[15] *Ibid.*, p. 47.

[16] *Ibid.*, p. 81.

[17] *Ibid.*, p. 256.

[18] *Ibid.*, p. 225.

[19] *Ibid.*, p. 48.

[20] *Ibid.*, pp. 270-71.

[21] *Ibid.*, p. 49. The Commission's report stressed the necessity for considering a number of criteria as relevant to the assignment question even if they did not always "objectively" bear on the matter. Speaking of the popular belief that small government creates greater accessibility and controllability of public functions, the report noted:

> Surely a large segment of the public thinks small government is more accessible and controllable because it is "closer." Whether it is actually so is another question, although ideally, effective controllability and accessibility would be identical with what the public thinks it is. The important point is that in a democratic society it is for the people to decide what is effective accessibility and controllability, and if they think that smallness of government produces it, their wishes must be respected if democratic responsiveness is to be preserved. In brief, then, despite arguments and considerations in favor of considering accessibility and controllability either unaffected by size of jurisdiction or affected in the direction of increasing the size of jurisdiction, it is a fact that a large body of the citizenry believes that smallness of size enhances accessibility and controllability. So far as the allocation of functions is concerned,

this conclusion means that overall application of the criterion of accessibility favors keeping functions at the local level.

[22] See Clifford P. Hooker and Van D. Mueller, *The Relationship of School District Reorganization to State Aid Distribution Systems*, Part I. (Minneapolis, 1970), Chapter II.

[23] ACIR, *Measuring the Fiscal Capacity and Effort of State and Local Areas* (Washington, D.C. U.S. Government Printing Office, 1971).

[24] See ACIR, *Fiscal Balance in the American Federal System*, Vol. II (Washington, D.C.: U.S. Government Printing Office, 1967) and ACIR, *City Financial Emergencies* (Washington, D.C.: U.S. Government Printing Office, 1973), Appendix B.

[25] John E. Coons, *et al.*, *Private Wealth and Public Education* (Cambridge: Harvard University Press, 1970), Chapter IX; see also Harold Horowitz and Diana Neitring, "Equal Protection Aspects of Inequalities in Public Education and Public Assistance Programs from Place to Place Within a State," *UCLA Law Review* (1968); also Arthur E. Wise, *Rich Schools, Poor Schools* (Chicago: University of Chicago Press, 1968).

[26] See Ferdinand P. Shoettle, "Judicial Requirements for School Finance and Property Tax Redesign: The Rapidly Evolving Case Law," *Proceedings of the National Tax Association Seminar on Financing the Seventies* (Boston, 1972), pp. 454-72; see also California Council on Intergovernmental Relations, *Serrano vs. Priest: The Decision and Its Implications* (Sacramento, 1972). See also *Hawkins v. Town of Shaw, Mississippi*, 437. F.2d, 11-71 (1972).

[27] See Robert Warren, "A Municipal Services Model of Metropolitan Organization," *Journal of the American Institute of Planners*, XXX, 3 (August 1964).

[28] See E.S. Savas, "Municipal Monopoly," *Harper's Magazine* (December 1971), pp. 55-60; Eugene Smolensky, "Public Housing or Income Supplements – The Economies of Housing for the Poor," *Journal of the American Institute of Planners*, XXXIV, 2 (March 1968); John E. Coons and Stephen D. Sugarman, *Family Choice in Education: A Model State System for Vouchers* (Berkeley, 1971).

[29] See New Jersey County and Municipal Government Study Commission, *Solid Waste: A Coordinated Approach* (Trenton, 1972), p. 18.

[30] See ACIR, *State-Local Relations in the Criminal Justice System* (Washington, D.C.: U.S. Government Printing Office, 1971), pp. 17-19, 79 for material relating to discretionary intergovernmental arrangements. See Association of the Bar of the City of New York, *Symposium on Decentralizing New York City Government* (New York, 1970); and Hawaii Department of Social Services and Housing, *The Contract Approach in Public Welfare Services* (Hawaii, 1971) for a discussion of differentiated service arrangements between governments and communities and/or individuals.

[31] For some of these writings, see New Jersey County and Municipal Government Study Commission, *op. cit.*; David L. Norrgard, *Regional Law Enforcement* (Chicago, 1969); Herbert Keisling, "Designing a Police Service in a Metropolitan Area: Police," paper delivered at the 28th Congress of the International Institute of Public Finance, September 1972; Greater Hartford Process, Inc., *The Greater Hartford Process* (Hartford, 1972); Marion Clawson, *Suburban Land Conversion in the United States: An Economic and Governmental Process* (Baltimore: Johns Hopkins, 1971).

[32] See M.B. McPherson, *Prospects for Metropolitan Water Management* (Cambridge, 1970), pp. 8-11 and Joint Legislative Committee to Revise the Social Services Law of New York State, *Public Welfare in Transition* (Albany, 1969), pp. 155-162, for an enumeration of the functional components of the water management and public welfare functions, respectively.

[33] See Eli Ginzberg, *Urban Health Services: The Case of New York* (New York: Columbia University, 1971), for an illustration of the number of actors in the metropolitan health function.

[34] See Chapters III, V, VII of Volume IV of the ACIR report A-45, *Governmental Functions and Processes: Local and Areawide*, (Washington, D.C.: U.S. Government Printing Office, 1974) for a more detailed discussion of these mechanisms. Also see Chapters I and IV of Volume II of ACIR report A-41 for a description of these activities in Atlanta and Minneapolis-St. Paul.

[35] See U.S. Council on Environment Quality, *The Quiet Revolution in Land-Use Controls*, by Fred P. Bosselman and David Callies (Washington, D.C.: U.S. Government Printing Office, 1971), for a description of some of these efforts.

[36] Massachusetts' "snob zoning law" is a case in point, as are recent Federal regulations which set forth a variety of standards for Federal relocation. See "Snob Zoning: Developments in Massachusetts and New Jersey," *Harvard Journal on Legislation*, VII, 2 (January 1970), pp. 246-70. See also University of Pennsylvania, Fels Center of Government, *Standards for Housing in Suburban Communities Based Upon Zoning for Work* (Philadelphia, 1972), I and II.

[37] State-mandated police standards may upgrade the quality of police recruits and gradually change the style of law enforcement in many localities. Certificate of need health legislation in a number of states may lead to more explicit rationing of health funds, and the environmental impact statement has required all three levels of government to indicate the ecological damage that might be caused by various project activities as well as to specify what other alternative plans are capable of being adopted. All these types of actions are evidence of the use of regulatory and standard-setting measures to achieve program ends.

[38] See "Exclusionary Zoning and Equal Protection," *Harvard Law Review*, LXXXIV, 7, (May 1971), pp. 1645-99.

[39] For a description of special revenue-sharing bills, see ASIR, *Special Revenue Sharing: An Analysis of the Administration's Grant Consolidation Proposals* (Washington, D.C.: U.S. Government Printing Office, 1971).

[40] ACIR, *Fiscal Balance in the American Federal System*, I (Washington, D.C.: U.S. Government Printing Office, 1967), p. 14; ACIR, *Multistate Regionalism* (Washington, D.C.: U.S. Government Printing Office, 1971), Ch. 2; House Committee on Government Operations, *Grant Consolidation and Intergovernmental Cooperation*, Parts 1 and 2 (Washington, D.C.: U.S. Government Printing Office, 1971).

[41] See American Law Institute, *Model Land Development Code, Tentative Draft No. 1* (Philadelphia, 1968).

[42] James L. Sundquist with David W. Davis, *Making Federalism Work*, pp. 270 ff.

[43] Indeed, such an agreement is the basis behind much of the performance contracting experience in education. For a documentation of these experiments, see Polly Carpenter, *Performance Contracting in Education* (Santa Monica: Rand

Corporation, 1971), Vols. I-VI.

[44] ACIR, *State-Local Relations in the Criminal Justice System* (Washington, D.C.: U.S. Government Printing Office, 1971), pp. 17-19.

[45] ACIR, *Governmental Functions and Processes: Local and Areawide*. For a full analysis of the issues raised here, that report should be consulted.

[46] See ACIR, *Toward More Balanced Transportation: New Intergovernmental Proposals* (Washington, D.C.: U.S. Government Printing Office, 1974), and "Transportation in the Seventies: A New Intergovernmental Strategy," Remarks of Robert E. Merriam, Chairman, ACIR, For Presentation at the Fifty-Fourth Annual Meeting of the Transportation Research Board, Washington, D.C., January 15, 1975.

[47] For general discussions of the urban transportation problem, see Robert Lindsay, "Plight of Public Transportation System Mounts," *The New York Times* (December 30, 1974), p. 39; Ch. 6, "Transportation," in Dick Netzer, *Economics and Urban Problems* (New York: Basic Books, 1970), pp. 137-63; and Wilfred Owen, "Transport: Key to the Future of Cities," in Harvey S. Perloff, ed., *The Quality of the Urban Environment: Essays on "New Resources" in an Urban Age* (Baltimore: Johns Hopkins, 1969), pp. 205-27.

[48] According to the U.S. Department of Transportation, the nation's fuel consumption could be reduced 20 percent if urban transit systems were being used to capacity.

[49] A bus produces the pollution equivalent of less than two cars while carrying 20 or more times the number of passengers.

[50] Milton Pekarsky, chairman of the Chicago Regional Transportation Authority remarked in April 1975, that "Actually, the nation needs $6-billion a year in public funding for urban mass transportation. Our transit systems in metropolitan areas need and can profitably utilize that amount if the big jobs that public transportation has to do are accomplished." *Chicago Tribune* (April 2, 1975), section 3, p.2.

[51] "Although the . . . program made available over three years nearly $92.4-billion from the hitherto sacrosanct Highway Trust Fund, no more than $34.6-billion [had] been awarded [by April 1975] – and that to only two places in the country – New York City and East St. Louis, Ill." Ralph Blumenthal, *The New York Times* (April 21, 1975), p. 1.

[52] Federal-Aid Highway Act of 1976, P.L. 94-280, May 5, 1976.

[53] See "National Transportation Policy – A Proposal," *Transit Journal* (February 1975), pp. 3-22.

[54] See House Doc. 94-81, H.R. 9771.

[55] *Railroad Revitalization and Regulatory Reform Act of 1976*, P.L. 94-210, February 5, 1976 (enacted bills).

[56] About 22 percent of the population in cities of over 500,000 listed crime as the most threatening problem, followed by 11 percent naming inadequate transportation facilities and traffic congestion, and 10 percent naming drugs. A similar survey of large cities in 1947 showed that only 4 percent regarded crime as their city's worst problem.

[57] "One American City Dweller in Three Has Been Victim of a Major Crime," *The Gallup Opinion Index* Report No. 91 (January 1973), pp. 3-14.

[58] National Commission on the Causes and Prevention of Violence, *To Establish Justice and To Insure Domestic Tranquility*. (Washington, D.C.: U.S. Government Printing Office, 1969), p. 19.

[59] ACIR, *State-Local Relations in the Criminal Justice System* (A-38), (Washington, D.C.: U.S. Government Printing Office, August 1971).

[60] ACIR, *State Legislative Program, Part 10, Criminal Justice* (M-101), (Washington, D.C.: U.S. Government Printing Office, November 1975) which contains suggested state legislation to accomplish reform objectives.

[61] U.S. Office of Management and Budget, *Special Analyses, Budget of the United States Government, Fiscal Year 1977* (Washington, D.C.: U.S. Government Printing Office, 1976), p. 243.

[62] President's Commission on Law Enforcement and Administration of Justice, *The Challenge of Crime in a Free Society* (Washington, D.C.: U.S. Government Printing Office, 1967).

[63] See ACIR, *Making the Safe Streets Act Work: An Intergovernmental Challenge* (A-36), (September 1970); *Safe Streets Reconsidered: The Block Grant Experience 1968-1975*, 1976.

[64] National Water Commission, *Water Policies for the Future*. Final Report to the President and to the Congress of the United States (Washington, D.C.: U.S. Government Printing Office, 1972), p. 442. Chapter 12 of that report should be read in conjunction with this section.

[65] *The New York Times* (March 20, 1974), p. 36.

[66] National Water Commission, *Final Report*, p. 443.

[67] *Federal Water Pollution Control Act Amendments of 1972*, 86 Stat. 816 (1972); National Water Commission, *A Summary Digest of the Federal Water Laws and Programs*, by J.L. DeWeerdt and P.M. Glick (Washington, D.C.: U.S. Government Printing Office, 1973); U.S. Environmental Protection Agency, *Clean Water – 1973*, pp. 3-5.

[68] Effluent limitations for point sources other than publicly owned treatment plants were to require the application of the best practicable control technology currently available by July 1, 1977. The Administrator of the Environmental Protection Agency was to define point sources other than publicly owned treatment works (primarily industrial polluters), the amounts of biological, chemical, and physical matter acceptable, and the best practicable control technology currently available. When defining the last term, the Administrator would take into account the costs of applying technology in relation to the reduction of pollutants, energy requirements, the facilities involved, and other relevant factors.

[69] By July 1, 1983, point sources other than publicly owned treatment plants would have to apply the best available technology economically available.

[70] Rivkin/Carson, Inc., *Population Growth in Communities in Relation to Water Resources Policy*. Prepared for the U.S. National Water Commission (Springfield, Va.: National Technical Information Service, 1971), p. 45.

[71] National Water Commission, *op. cit.*, p. 442.

[72] All the quotations in this section are from U.S. Environmental Protection Agency, *The Economics of Clean Water – 1973* (Washington, D.C.: U.S. Government Printing Office, 1973), pp. iii-iv, 25, 87, 89-90.

[73] National Water Commission, *op. cit.*, p. 448.

[74] *Ibid.*, p. 449.

[75] *Statistical Abstract of the United States*, 1698, Table 255, p. 173.

[76] Letter from Secretary of the Interior to Speaker, U.S. House of Representatives and Chairman, U.S. Senate Committee on Public Works, updating *The Cost of Clean Water*, January 16, 1969.

[77] ACIR, *Intergovernmental Responsibilities for Water Supply and Sewage Disposal in Metropolitan Areas*, (Washington, D.C.: U.S. Government Printing Office, 1962).

[78] *Ibid.*, p. 105.

[79] *Ibid.*, p. 108.

[80] *Ibid.*, p. 111. A draft measure to implement this proposal has been prepared. It provides for the designation of a single agency to formulate and implement a coordinated state water policy (see 1970 Cumulative *ACIR State Legislative Program:* Bill No. 87-20-00). This should be read in conjunction with ACIR's newer draft "State Planning and Growth Management Act" (see *ACIR State Legislative Program*, 1975, Bill No. 5.101).

[81] *Ibid.*, p. 114. Three model statutes have been developed in consultation with the U.S. Public Health Service and other organizations to implement the Commission's recommendations. See *ACIR State Legislative Program*, 1975, Bill No. 5.201.

[82] *Ibid.*, p. 118.

[83] See Gladwin Hall's column in *The New York Times* (April 22, 1975), p. 9.

[84] Quoted in *Congressional Record* 120: S8145 (May 14, 1975).

Chapter IV

Restructuring Local Governments for a More Effective Partnership

As this report has already made clear, local government in the United States needs to be spoken of in the plural. This is true, whether one is speaking of metropolitan or non-metropolitan areas. As demonstrated in *Chapter III*, local governments were never created on any rational or planned basis. Counties and townships were created to serve as decentralized arms of colonial and then state governments, and cities and towns were added as residents of particular geographical areas sought to incorporate to achieve representation and self-determination of local policy matters. Special districts were added to fill the service cracks not provided for adequately by existing general purpose governments, or, in the case of schools, because of the 19th century belief that politics could thereby be removed from educational policy making.

This chapter examines the resulting structuring of local governments in the United States, and present needs for restructuring.

THE BASIC SITUATION

With rare exceptions there are no geographic gaps between counties; every square inch of territory is in one county or another. Their boundaries are spelled out in state constitutions or statutes. Counties traditionally have been responsible for various basic public services that were needed everywhere throughout the state but were not readily subject to direct state handling. In some parts of the nation, townships were similarly statewide in their geographic coverage; they too offered services needed throughout the state.

Municipalities – villages, towns and cities – came into existence one by one, in the early days by direct state legislation, but later by local action taken in accordance with an authorizing general state law. Set up in closely settled areas that needed urban type services not available from the counties (or townships), they were authorized by the state to provide added services and facilities and to finance them through taxes, user charges, and bond issues. In most cases, they overlie the counties and townships.

School districts, like counties or townships, were geographically comprehensive – that is, taken together they covered the entire area of a state. But unlike counties, townships, and municipalities, they were responsible for only one function. School districts in the early days were typically far smaller and more numerous than counties. Most of them at first were no larger than about four square miles each, so that rural children could walk to school.

Special districts are like school districts in that they are concerned with only a single function, such as fire protection, water supply, or public housing (see *Table XVIII*). On the other hand, they are geographically like municipalities in that they do not blanket the entire state. They, too, have come into existence one by one, for particular local areas and, in most cases, by local action under a general state law.

Unlike the more traditional types of local government, not all special districts can levy taxes. In fact, about half of them – including some of the largest, such as the Port of New York Authority – are limited in their own revenue raising power to the imposition of service charges or benefit assessments. Nearly all of them, however, can incur debt and receive grants from other governments.

There is no territorial overlap among counties, among municipalities, or among townships. But, with their single function nature, special districts and school

Table XVIII

Special District Governments in Metropolitan Areas, by Functional Class, 1972

Functional Class	Number	Percent of U.S. Totals
All types	8,054	33.7%
Natural Resources	1,371	20.7
Other than Natural Resources	6,683	38.8
Cemeteries	157	10.5
Fire Protection	1,547	40.0
Highways	151	21.6
Hospitals	153	23.3
Housing and Urban Development	731	32.2
Libraries	148	29.7
Parks and Recreation	378	50.4
School Buildings	619	57.1
Sewerage	866	61.4
Urban Water Supply	888	38.1
Other Single-Function Districts	483	37.9
Multiple-Function Districts	562	62.2

SOURCE: U.S. Bureau of the Census, *1972 Census of Governments.*

Table XIX

Number of Local Governments in 1972 by 1970 Size Groups of SMSA

SMSA Size Group 1970 Population (in millions)	Number of SMSAs	Population of Group in 1970 (in millions)	Number of Local Governments 1972
All	264	143,269	22,185
1,000,000 and up	33	80,677	8,847
500,000 to 999,999	33	22,538	3,307
300,000 to 499,999	36	13,314	3,213
200,000 to 299,999	51	12,704	2,784
100,000 to 199,999	84	11,851	3,505
50,000 to 99,999	27	2,185	529

SOURCE: U.S. Bureau of the Census, *1972 Census of Governments*, Vol. 1, p. 20.

districts can and very often do overlie one another and general purpose governments as well in bewildering variety — in adding to the layering of municipalities on top of the counties and townships. These districts account for much of the complex layering of local governments found in many metropolitan areas — sometimes adding as many as another half dozen tiers to the usual four strata, of more traditional kinds of governments.

As the nation grew, local governments mushroomed. In 1972, the number of such governments in the United States totalled 78,218. Twenty-eight point four percent of those governments were in the nation's metropolitan areas (14.6% of the nation's counties, 20.4% of the townships, 29.5% of the municipalities, 30.2% of the school districts, and 33.7% of the special districts). As social problems grew ever more complex and urgent, and as expenditures to attack them climbed faster than either population or overall economic activity, local government institutions rocked along from crisis to crisis.

Too often, the structure of local government in the metropolis has little in common with the area's economic unity. Rather, local government has become a jungle of competing, overlapping, uncoordinated, independent political units — a jungle which must be civilized if local government in metropolitan America is to become an effective problem-solving mechanism and a full partner in the American federal system.

The question is, how should we proceed to civilize such a jungle? To answer that question, it is necessary first to see what the situation is now. The Advisory Commission on Intergovernmental Relations has been analyzing local government since 1959, and the Commission's most recent studies of substate regionalism — along with some other recent studies — give perhaps the most complete picture of American local government compiled to date.

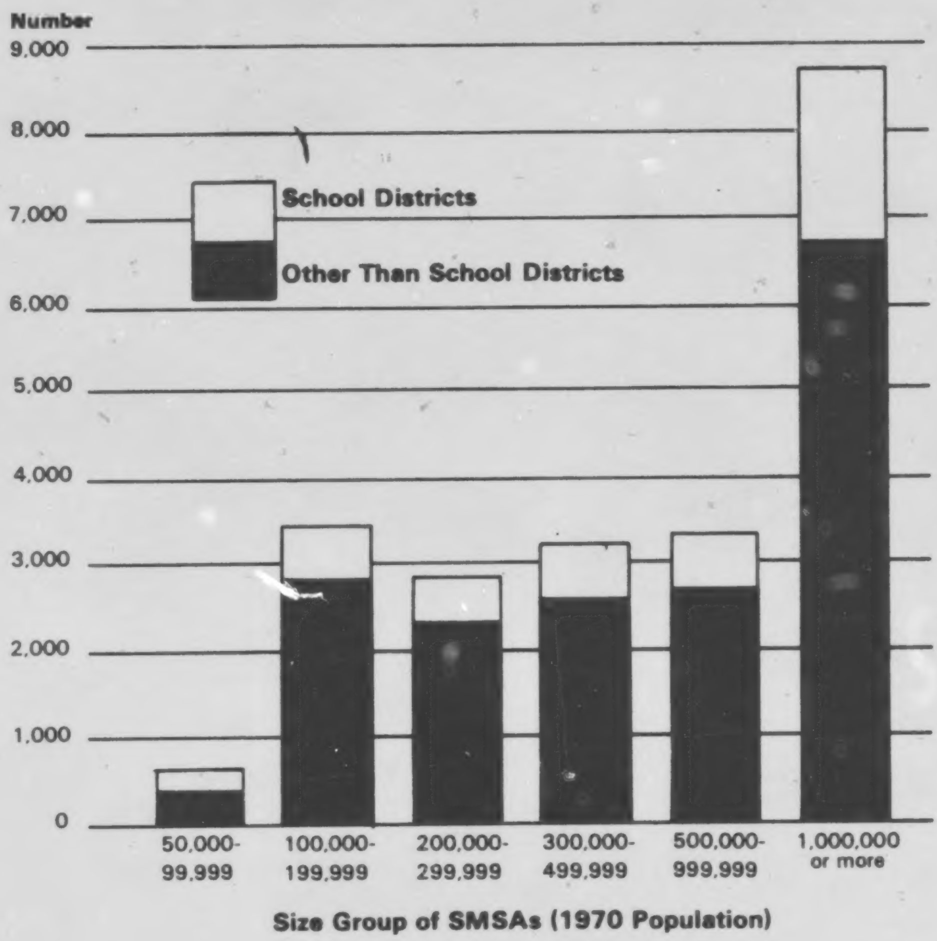
The Metropolitan Mosaic

According to the Commission on Population Growth and the American Future, "population growth *is* metropolitan growth in the contemporary United States."[1] With almost 70 percent of the nation's population in SMSAs in 1970, and with about 80 percent of the nation's population growth in the 1960s in those areas, the validity of that conclusion is clear.

The concept of the SMSA, as defined by the U.S. Office of Management and Budget, however, is misleading. An SMSA has as a nucleus a central city, closely knit twin cities, or two or more adjoining counties with a population of 50,000 or more and meets certain density, labor force, and other criteria of a metropolitan character. In addition, the outlying areas must be integrated economically and socially with the central city, cities, or counties. Despite this suggested interdependence, the governmental structure of all SMSAs, except for a handful that have consolidated city-county governments, is extremely atomized. This metropolitan

Figure XVII

LOCAL GOVERNMENTS IN STANDARD METROPOLITAN STATISTICAL AREAS, BY POPULATION SIZE OF AREA, 1972



SOURCE: *1972 Census of Governments*, Vol. 1, p. 20.

fragmentation has created major problems in guiding and accommodating population growth.[2]

Perhaps the only feature really shared by governments in American metropolitan areas is diversity. Few sweeping statements can be made about local government in large urban concentrations that would not be subject to a variety of important qualifications and exceptions. Partly this is because of the wide range in size and other characteristics of metropolitan areas; partly it is because of the differing historical backgrounds; and partly it is because of the variation in governmental institutions developed in different parts of the country.

Even so, some common – though not universal – features of metropolitan area government can be identified.

In 1972, 22,185 local governments, or well over one-fourth of the national total, were found in the then officially designated 264 SMSAs – an average of 84 units per SMSA. The average, of course, includes wide variations, as *Table XIX and Figure XVII* demonstrate. The 13 largest SMSAs in population in 1972 – all of a million or more – alone accounted for 6,000 local governments, or about one out of every 13 in the country. The Chicago SMSA led the list with 1,172 local governments, followed by the Philadelphia, New Jersey, SMSA with 852, the Pittsburgh SMSA with 698, New York with 538, and St. Louis, Missouri-Illinois, with 483. In 17 other SMSAs, 200 to 250 local governments each was reported.

Although wide variations were apparent, the "typical" SMSA had two counties, 13 townships, 21 municipalities, 18 school districts, and 30 special districts.

The number of counties in the nation has remained fairly constant, as has the number of townships. However, because of extensive recent school district consolidation, the number of school districts has diminished by 85 percent in the three decades between 1942 and 1972 (and in metropolitan areas the number dropped by 663 between 1967 and 1972, a 12.2% decrease over the five years). But the number of municipalities has continued to grow by incorporation of new entities: 148 municipalities existed in SMSAs in 1972 which had not been there in 1967, a 2.8 percent increase over the five-year period. In 1973 alone, there were 82 new incorporations in metropolitan areas. By 1974, municipal incorporations in SMSAs stood at over 5,400, and the average metropolitan area then contained about 21 municipalities (see *Figure XVIII*).

This feature of the metropolitan scene is a carryover from the past. Many statutory provisions for municipal incorporation date from the time when, for the most part, settled communities were widely separated; it was not unreasonable then to allow the formation of a separate village or town for only a few people. But the lack of a reasonable size standard for new municipalities can be extremely damaging in today's growing metropolitan areas. It permits the creation of preferential "tax havens" or of units too small to operate effectively. These small islands accentuate fiscal disparities and stand in the way of orderly and equitable adaptation of local government to expanding urbanization.

The greatest increase, however, was in the number of special districts in SMSAs: 8,054 in 1972 as compared with 7,569 in 1967, an increase of 6.4 percent. To be sure, the number of special districts in non-metropolitan areas increased more rapidly than that in metropolitan areas, but even so in 1972 almost 34 percent of the nation's special districts were found inside SMSAs. The problem of special districts is made more acute by the fact that many of them have boundaries extending into two or more counties. Of the 1,028 metropolitan areawide special districts in 1972, less than 100 were found inside the 72 largest SMSAs. The boundaries of only about one-fourth of them were coterminous with those of general purpose local governments.

Many of the local governments found in SMSAs are relatively small in population and land area. About half of the 5,467 municipalities in SMSAs had less than a single square mile of area, and only about a quarter of the total were as large as four square miles. Almost two-thirds of them had fewer than 5,000 residents and about 30 percent of them had fewer than 1,000 (see *Figure XIX*).

In addition, since the early 1960s, most metropolitan areas have experienced a mushrooming of single and multipurpose areawide districts supported by Federal grants-in-aid, as indicated in the previous chapter.

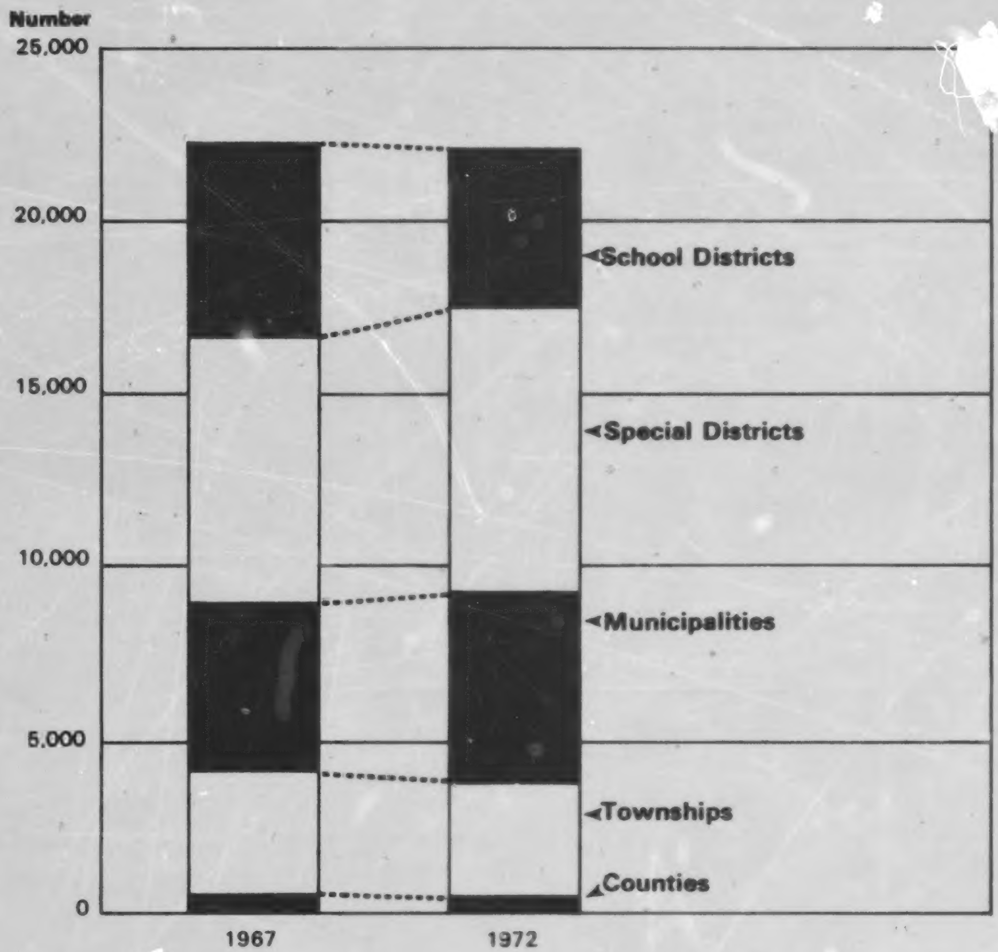
Most metropolitan residents, then, are served by at least four types of traditional local government: a county, a municipality and/or township, a school district, and one or more special districts or public authorities of one kind or another, as well as being affected by the planning, administrative and developmental activities of several Federally supported substate districts.

Indeed, the third common characteristic of the metropolitan mosaic is the multiple layering of governments in most SMSAs. *Figure XX* shows the extent of this layering from the point of view of a resident of Whitehall, Pennsylvania, a small suburban community in the Pittsburgh SMSA. In addition to the 17 layers shown in the chart, areawide organizations existed in 1972 in

Figure XVIII

LOCAL GOVERNMENTS IN STANDARD METROPOLITAN STATISTICAL AREAS, BY TYPE, 1967 AND 1972

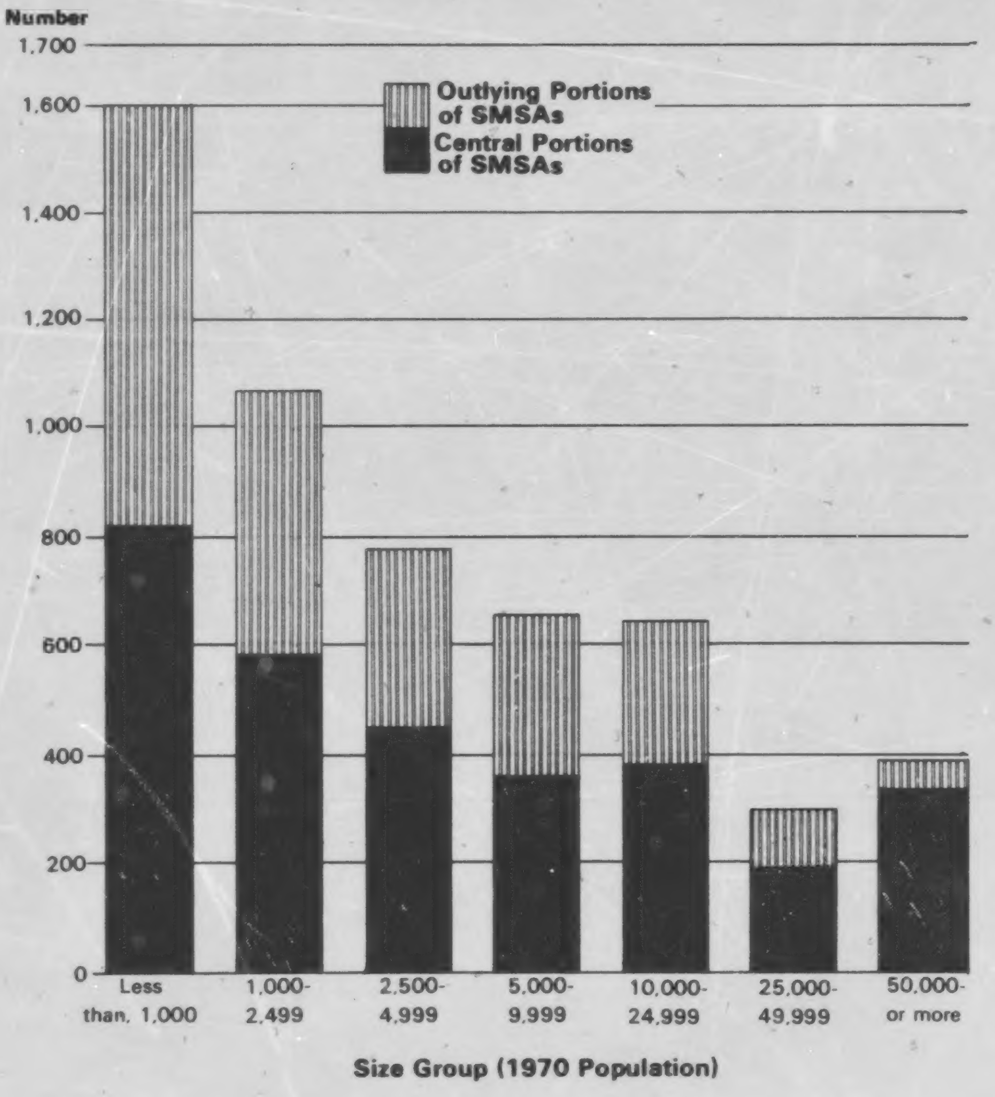
(The 264 SMSAs as Defined in 1972)



SOURCE: *1972 Census of Governments,* Vol. 5, p. 2.

Figure XIX

MUNICIPAL GOVERNMENTS IN STANDARD METROPOLITAN STATISTICAL AREAS, BY POPULATION SIZE, 1972



SOURCE: *1972 Census of Governments,* Vol. 1, p. 20.

Figure XX

Layers of Governance,
Whitehall, Pennsylvania, 1972

17. United States of America
16. Commonwealth of Pennsylvania
15. Air Quality Control Region
14. Southwestern Pennsylvania Regional Planning Commission
13. Western Pennsylvania Water Company
12. Allegheny County
11. Allegheny County Port Authority
10. Allegheny County Criminal Justice Commission
9. Allegheny County Soil and Water Conservation District
8. Allegheny County Sanitary Authority
7. City of Pittsburgh
6. South Hills Area Council of Governments
5. South Hills Regional Planning Commission
4. Pleasant Hills Sanitary Authority
3. Baldwin-Whitehall Schools Authority
2. Baldwin-Whitehall School District
1. Borough of Whitehall: Population 16,007

SOURCE: ACIR, ***Regional Decision Making: New Strategies for Substate Districts*** (A-43), Washington, D.C.: U.S. Government Printing Office, October, 1973), p. 3.

the Pittsburgh area for comprehensive health and manpower planning, community action, and economic development, but since these bodies do not have a direct impact on Whitehall, they are not included in the chart. And while Pittsburgh is a relatively extreme example, it serves to make the point that the average central city has more than four overlying local governments, and in parts of some metropolitan areas the number of layers is much greater. As a rule, the boundaries of various local government units are not coterminous; less than one-fifth of the school districts and only one-fourth of the special districts in SMSAs coincide geographically with a municipality, township, or county.

In two parts of the country – New England especially and to a lesser degree the South – metropolitan areas have much less diffused and layered patterns than elsewhere. In New England,[3] where most local government services are provided by townships and sizable municipalities, local government units per SMSA average only 27 in number, compared with the nationwide average of 84. The South[4] relies more on counties and there are no townships at all; here the number of local governments averages 28 per SMSA.

The Local Government Jungle

For a long time, then, most of the nation has had at least two or three layers of local government in rural areas (county, school district, and sometimes township) and at least three or four layers in incorporated urban areas (county, municipality, school district, and sometimes township). With their overlapping boundaries and growing need for property tax revenue and borrowing capacity, questions arose as to how to safeguard each type of unit from the competing demands of the others, and how to exercise some control over their total combined demands upon taxpayers. In much of the country, the reaction of the states was to impose specific ceilings on property tax rates (often detailed limits specified for particular funds or activities) and to place limits on the debt incurring powers of these several types of local governments. The New England states, with a far less layered pattern of local government, have made relatively little use of such limitations. Indeed, one of the most compelling reasons for the alarming proliferation of special districts has been the refusal of many states to remove their restrictive tax and debt limits on traditional types of local governments. The creation of special districts has been one way – sometimes the only politically feasible way – for local areas to get around such limits. Not surprisingly, the number of special districts is greatest in the states that have tight tax and debt limits.

Many states also have been unwilling to expand the limited role they have permitted county governments to play in providing urban services. Viewed as agents of the state for the performance of services needed everywhere, and with most of their support drawn from uniform countywide taxes, counties in most parts of the nation often lack the authority and the capacity to supply the additional services demanded by residents of the urbanizing parts of their territory. Thus, when service needs expand beyond municipal boundaries, and given the rigid annexation laws in many states, the special district is often the only legal – and perhaps the only constitutional – way of providing the needed services.

By constitutional edict or statutory establishment, the states also typically have specified various details of the internal structure of the different classes of local government, including in particular the size of their governing bodies and the nature of the elective offices to be filled. For counties, in particular, this typically results in a highly diffused internal pattern. The average county government in a metropolitan area will likely have some 30 elected officials, including seven to nine members of the governing board and 20 or more additional officials. This diffusion of policy-making responsibility, along with other factors, has lessened the potential feasibility of using the county – rather than the special district – to meet the developing public service needs of metropolitan suburbs.

An alternative to special districts, obviously, would be geographic enlargement of existing municipalities through annexation of previously unincorporated but newly urbanized fringe territories. Once, this was the traditional way for local governments to adapt to urban growth, and it is still an important tool in some parts of the country. Annexation has been carried on in recent years by both central cities and suburban municipalities, with considerable regional variations, as *Tables XX and XXI* reveal. Our largest cities have grown largely through municipal annexation, and two-thirds of all municipalities over 2,500 population in 1970 engaged in annexation actions between 1960 and 1970. Over 6.6-million people resided in the areas annexed during that decade. However, the survey conducted by the Bureau of the Census for 1970-1971[5] makes it clear that "cities in the 20,000 to 250,000 range are more likely to annex than either smaller places or the largest cities. Around 40 percent of the cities in this size range had at least one annexation in 1971, compared with less than 25 percent for cities 2,500 to 10,000."[6] And it has become virtually impossible for the largest cities to annex, because they have become so surrounded by incorporated suburban municipalities.

Moreover, the nature of much recent urban fringe settlement – often involving shoestring or leapfrog patterns of development – frequently does not lend itself to annexation. Much nearby territory is so thinly developed at the outset that it clearly is more rural than urban. The metropolitan fringe needs more varied and intensive public services than completely rural areas, but less than the range and level normally provided by a municipal government.

Also, annexation tends to be a matter of all or nothing. The annexed area receives all the city's services, but it also must bear its full share of the cost of running the city. To many suburbanites the price is too high, especially since, without direct cost, they may still benefit from many of the city's services – such as police and fire protection, traffic regulation, and street maintenance and lighting, as well as municipal parks, beaches, and museums – when they go to the city to work, shop, or visit. The trade-off is even less attractive if the county provides some of these services, at a lower level, perhaps, but also at a lower cost. Moreover, if the city, as is usually the case, has a higher proportion of relatively poor, "high-cost" residents than the outlying territory – with the resulting extra drain on the tax base – the trade-off will have almost no appeal. This problem is exacerbated where the city government has responsibility for school financing without substantial equalization assistance from the state. These are among the strong forces impelling newly urbanized areas to choose the piecemeal special district approach rather than annexation to the metropolitan area's central city – with its full scale commitment to services and taxes.

While this special district approach may not overly complicate the governmental pattern at first, as thinly settled parts of the metropolitan fringe become more fully developed, their early minimum needs for urban-type services – perhaps involving only fire protection – expand to include also water supply, sewerage, and often other additional services. The upshot is a crazy quilt pattern of small, disjointed, uncoordinated, and unresponsive, special purpose local governments which often preempt opportunities for annexation by full service governments.

The Future of Fragmentation

Projections by the Commission on Population Growth and the American Future suggest that one-sixth of the land area of the continental United States by the year 2000 will be encompassed by "areas of 1-million people or more comprised of a continuous zone of metropolitan areas and intervening counties within which one is never far from a city."[7] Five-sixths of the nation's population will live in 23 urban regions. Along with this population growth, the number of local governments in metropolitan areas can be expected to increase. By 2000, the number of non-school local governments in metropolitan areas is expected to almost double, while the number of SMSAs themselves will soar to 751. This increase can be expected to involve the creation of about 2,000 more metropolitan municipalities and almost 7,000 more special districts. And current Federal legislation, if not amended, will continue to spawn new substate districts.

These projections, of course, assume no change in present substate regional approaches and a reluctance on the part of most Federal, state, and local officials to grapple with the jurisdictional implications of urban growth, particularly the need for major local governmental reorganization. At the same time, it is important to recognize that other regional strategies have been suggested – ACIR's UMJO (Umbrella Multijuris-

Table XX

Land Area, Population, and Density of Territory Annexed to Central Cities of 50,000 or More, by Region and Size Group, 1950-60 and 1960-70

Classification	Total Number of Cities	Land Area 1970[1]	Population 1970 (000)	Territory Annexed 1950-60			Territory Annexed 1960-70					
										Population When Annexed		
				Land Area 1960[1]	Population 1960 (000)	Population per Square Mile 1960	Land Area 1970[1]	Population 1970 (000)	Population per Square Mile 1970	Total (000)	Population per Square Mile	Percent of 1970 Population
Total, Central Cities	260	15,028	61,956	3,119	5,092	1,633	4,599	3,746	815	2,454	534	65
Geographic region												
Northeast (including Del., Md., D.C., W. Va.)	64	1,873	18,833	29	25	849	46	32	688	23	500	73
North Central	70	3,530	16,664	525	943	1,796	1,088	1,013	948	711	666	70
South (excluding Del., Md., D.C., W. Va.)	83	6,949	15,435	1,949	2,719	1,395	2,833	1,922	678	1,353	478	70
West	43	2,676	11,024	616	1,405	2,261	652	780	1,196	367	563	47
Population Group												
Over 500,000	29	5,489	33,109	866	1,484	1,714	1,660	1,120	675	867	522	77
250,000-500,000	26	3,029	8,773	739	1,271	1,719	1,329	868	653	582	438	67
100,000-249,999	71	3,075	10,205	660	963	1,460	741	796	1,073	531	717	67
50,000- 99,999 by 1950	62	1,333	4,404	249	283	1,137	198	158	798	80	404	51
50,000- 99,999 by 1960	41	1,445	3,602	511	886	1,735	378	370	980	149	394	40
50,000- 99,999 by 1970	31	657	1,863	94	205	2,176	293	435	1,485	245	836	56

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[1] In square miles.

SOURCE: This table, *Municipal Year Book 1975*, pp. 23-24, is based on a compilation of city land areas for 1950, 1960, and 1970, drawn mainly from published Census data but rounded to the nearest whole square mile with some corrections to increase intercensal comparability. City population data are taken from the decennial Census volumes, and the densities have been computed from the compiled area and population data.

Table XXI

Land Area, Population, and Density of Territory Annexed to Suburbs of 50,000 or More, by Region and Size Group, 1950-60 and 1960-70

				Territory Annexed 1950-60			Territory Annexed 1960-70					
										Population When Annexed		
Classification	Total Number of Cities	Land Area 1970[1]	Population 1970 (000)	Land Area 1960[1]	Population 1960 (000)	Population per Square 1960	Land Area 1970[1]	Population 1970 (000)	Population per Square Mile 1970	Total (000)	Population Per Square Mile	Percent of 1970 Population
Total, Suburbs	113	2,552	8,758	407	850	2,087	1,214	739	609	432	356	58
Geographic Region												
Northeast (including Del., Md., D.C., W. Va.)	27	256	2,026	1	4	3,766	[3]	[3]	[3]	[3]	[3]	[3]
North Central	36	539	2,623	78	214	2,741	130	177	1,362	115	885	65
South (excluding Del., Md., D.C., W. Va.)	14	1,133	1,183	122	200	1,639	942	309	328	178	189	58
West	37	624	2,925	206	432	2,097	142	254	1,786	140	982	56
Population Group												
Over 50,000 by 1950	47	553	3,769	39	94	2,150	58	86	1,478	64	1,103	75
Over 50,000 by 1960	33	598	2,698	158	364	2,305	119	129	1,084	63	531	49
Over 50,000 by 1970	33	1,401	2,292	210	402	1,912	1,037	525	506	305	294	58

[1] In square miles.

[3] Indicates no annexations.

SOURCE: *Municipal Year Book 1974.*

dictional Organizations) among them. Others actually have been implemented – city-county consolidations in Nashville, Jacksonville, Indianapolis, Lexington, Kentucky, Anchorage, Alaska and Las Vegas, Nevada; strengthened regional councils in the Twin Cities, Minnesota, and Atlanta areas; and creation of state public authorities in the metropolitan areas of Boston, Baltimore, and New York – which serve to consolidate and simplify the metropolitan jigsaw puzzle.

Thus, there is still time to reverse the fragmentation of government in metropolitan areas, to overcome the ambivalence of Federal, state, and local authorities toward a regional strategy, and to replace the incrementalism that has marked the pace of metropolitan reform to date. The last part of the 20th century will be a watershed period for substate regionalism and for American federalism. The challenge is clear: can the "mild chaos" (which political scientist Morton Grodzins identified as characteristic of our decentralized governmental system) be preserved and extreme disorder avoided? One answer to this question lies in adoption of the UMJOs suggested by the Advisory Commission on Intergovernmental Relations and describe in *Chapter III*. Another answer lies in accepting the challenge of institutional reorganization which is the subject of this chapter.

Patterns For Tomorrow

It is not hard to identify some important characteristics of a "good" pattern of local government for the modern metropolis. Insofar as possible, local governments should be so structured that they are able to:

- provide a high degree of political unity to match the area's economic unity;
- supply efficiently a wide range of public services and a variety of community facilities;
- provide on an equitable basis (through taxation, charges, and borrowing) for at least a large part of their financial requirements without predominant reliance upon state or Federal assistance;
- account to the people they serve, tax, and regulate;
- establish reasonable priorities among the competing needs of various public programs and promote consistency in the planning and conduct of interrelated government activities;
- adapt basic public policies to the diverse conditions of various parts of the metropolis, and reconcile conflicts between areawide and localized needs;
- anticipate emerging problems and modify governmental programs accordingly;
- stimulate enlightened civil interest and participation in public affairs; and
- serve as a socially cohesive force, helping to promote harmony and reconciliation rather than conflict among various elements of the population.

But it is far easier to list desirable characteristics than to build them into specific local governmental structural arrangements. For one thing, opinions may – and do – differ as to how well a particular kind of government will serve one or another of the objectives. A more basic difficulty is that the objectives compete with one another. The choice of structural patterns must depend on the relative importance given each of the several desirable characteristics. Thus, the introductory phrase "insofar as possible" is of key importance; even a theoretically ideal structure of "metropolitan government" – still a scare word to many – really requires compromises among the competing needs for efficiency, financial capability, equity, civil participation, social reconciliation, and the rest.

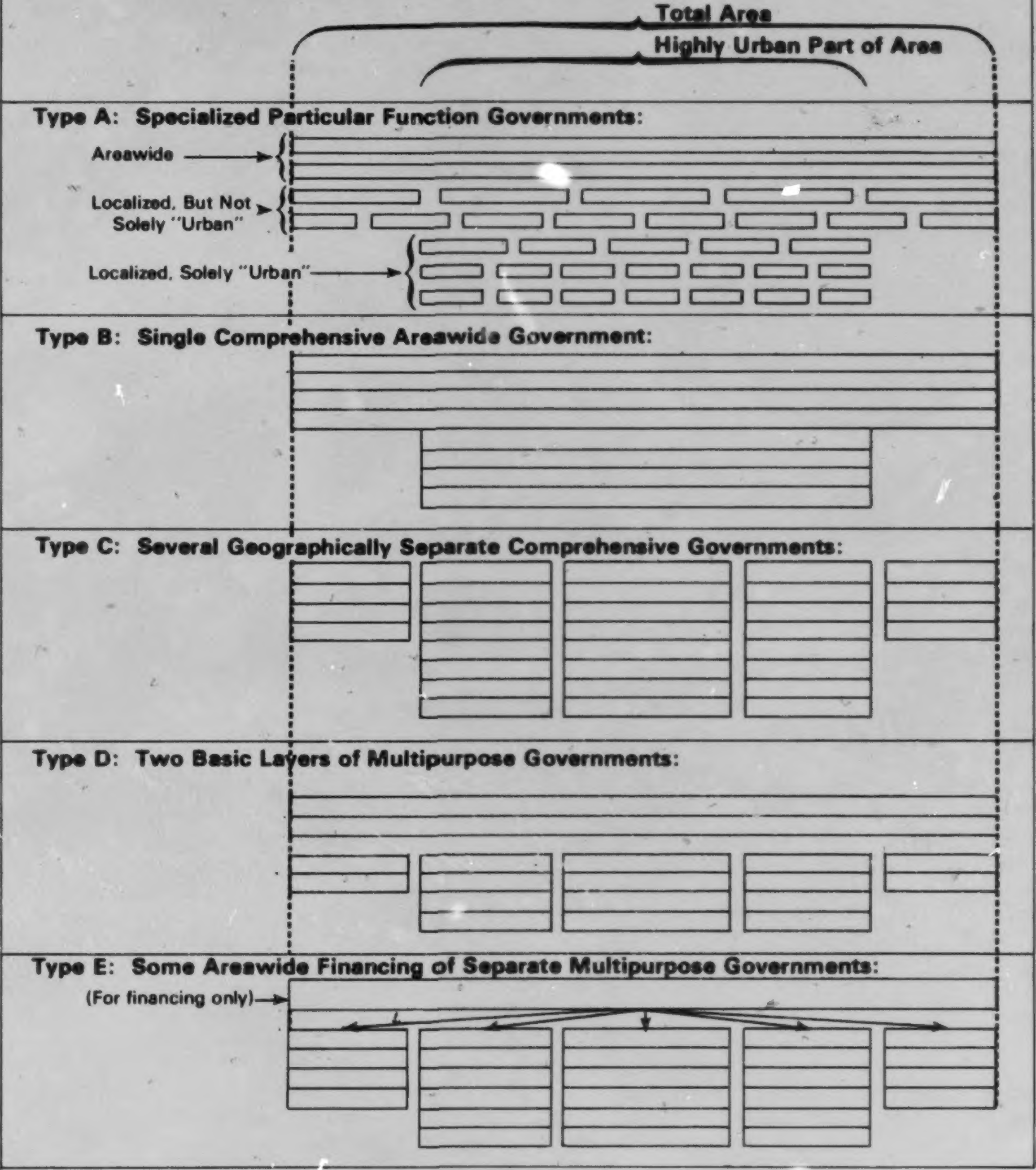
The "Cafeteria" Approach. *(Figure XXI, Type A)* One line of logic about metropolitan governmental structure, starting with major concern for the operating efficiency and localized adaptation of particular services, might run as follows. The metropolis has to have a great variety of public services, and these differ widely in the minimum scale required for efficient handling. Some, such as public schools or fire protection, can be carried out for rather small areas; others, such as air pollution and public transportation, clearly demand large-area handling; still others fall between these extremes. This suggests that there should be a variety of specialized governmental units, each tailored in size to the nature of its function.

On the surface, this "cafeteria" approach to governmental structure for the metropolis appears to have a certain logic. But it obviously would lack other desirable characteristics. Even if public education can be provided efficiently for rather small areas, there still is likely to be a wide range among such areas in the relation of school needs to tax base; the quality of schooling will suffer in the poorer districts, and this will have a strong impact on neighboring areas. Thus, considerations of adequate and equitable financing to support a desirable level of educational quality throughout the metropolitan area clearly calls for considerably larger school units than would be dictated solely on grounds of minimum size

Figure XXI

SOME HYPOTHETICAL PATTERNS OF LOCAL GOVERNMENT FOR THE MODERN METROPOLIS

(with "layers" denoting particular functions or services)


Total Area
Highly Urban Part of Area
Type A: Specialized Particular Function Governments:
Areawide
Localized, But Not Solely "Urban"
Localized, Solely "Urban"
Type B: Single Comprehensive Areawide Government:
Type C: Several Geographically Separate Comprehensive Governments:
Type D: Two Basic Layers of Multipurpose Governments:
Type E: Some Areawide Financing of Separate Multipurpose Governments:
(For financing only)

for feasible operation. The same is true for other public services.

The "cafeteria" approach has other serious deficiencies. The specialized units presumably would rely mainly for their financing upon taxation within their respective boundaries. The result would be a multiple layering of separate tax levies. In the absence of some overall control mechanism, there would be no orderly way to limit the total tax burden for any particular area or to determine the reasonable share to be supplied for each public purpose. The voters would be hampered seriously in applying fiscal brakes to their tax base as a whole because of the wide variety of governing bodies confronting them. This structural pattern also offers little promise that public functions which are closely interrelated but under independent auspices will be planned and carried out in a mutually reinforcing way. Furthermore, the resultant layering of units requires the voting citizens to select numerous officials to represent him on the many governing boards. In the resulting complex, political accountability and responsiveness are dangerously weakened. Finally, such a geographic decentralization of government tends to separate rather than to unify the people of the metropolis, emphasizing their differences rather than their common interests.

The "Package" Approach. *(Figure XXI, Type B)* At the other end of the spectrum would be a metropolitan government in which all local public services for the metropolis were "jointly packaged" under a single jurisdiction. Such an approach, by making urban government more highly visible, should increase its public accountability. Furthermore, the problem of diversity in efficient operating scale for particular functions could be handled by providing for decentralized operation of certain services – through police precincts, fire station districts, schools, and the like.

But this seemingly simple alternative also has serious drawbacks. In the first place, today's metropolis is not a clearly defined and stable area, but one with rather indefinite, irregular, and changing "boundaries." Secondly, the metropolis typically includes great variations in population density and resulting needs for certain public services; at the very least, these variations cast doubt on the equity of a completely uniform level of taxation throughout such a diverse jurisdiction. Also, some present-day metropolitan areas are already so big (and more will be in the future) that comprehensive governments for them would have to be very large and bureaucratically layered. Such governments likely would have high overhead costs, and would encounter difficulty in achieving effective functional coordination "down-the-line," even though various departments were tied together at the top by a single chief executive and a single governing body. Finally, and perhaps most difficult, is the question whether – and how – such a large and multifaceted government can be responsive enough to the divergent needs, conditions, and expectations of all elements of the large modern metropolis; present big city governments often seem remote and alien to many of their citizens.

Intermediate Approaches. Between these two extremes lie a multitude of other possible organizational patterns. Some emphasize certain desirable characteristics; some emphasize others. One possible compromise would be to break the metropolitan area into several geographic parts, each with its own comprehensive all-function government (*Figure XXI, Type C*). Another possibility would be to provide two separate layers of local government – one areawide to deal with functions and activities that require such handling, and another involving a set of smaller area units to deal with localized governments within the metropolis (*Figure XXI, Type D*).

These oversimplified alternatives are subject to further variations, including some that might deal with special problems or limited factors. For example, the two-level arrangement (*Type D*) might be "federated" by providing formal ties between the areawide and localized units, in order to promote coordination of interrelated functions and to focus stronger attention on areawide factors than might otherwise be the case. Or a combination of *Type D* and *Type E* might apply, with the areawide government aiding localized units as well as carrying out certain functions directly.

Obstacles to Change

The would-be "civilizer" of the local government jungle, however, cannot draw organizational charts to suit his personal tastes and order his preferences into effect by waving a wand. To find out "How do we get from where we are to where we would like to be?" he must identify and cope effectively with forces in the real world that strongly resist change.

Tax Level Differences. Among those likely to oppose change are the people who now benefit from the differences in tax levels that characterize almost all metropolitan areas. The disparities can be seen readily by comparing taxes within a central city with taxes in its surrounding suburban area. In most instances, as demonstrated in *Chapter II* of this report, the central city is more heavily burdened than suburbia, whether the comparison is in terms of total local taxes per capita, or as a percentage of personal income, or in terms of effective property tax rates. Even more diversity can be found among particular minor parts of the metropolis. Often among the separate jurisdictions within a single county the property tax rate for one jurisdiction is 1.5-to-2 times as large as the rate for another jurisdiction. Eliminating or narrowing such tax differences by governmental restructuring would, of course, benefit some metropolitan residents; but it would increase the taxes of others – and the latter group is likely to include influential members of the area's power structure.

Social Disparities. Poor and disadvantaged people, including a considerable proportion of blacks and other ethnic minorities, tend, as has already been noted, to be concentrated in "poverty areas." The central cities typically have far larger proportions of such "high-cost" citizens than does suburbia, though sizable poverty areas also are found in outlying parts of many SMSAs. Efforts at restructuring that would enlarge local jurisdictions are likely to face resistance from the better-off communities within the metropolis that now can avoid concerning themselves with the problems of disadvantaged people including the need to locally finance high-cost compensatory school programs. Moreover, in a growing number of metropolitan areas blacks are beginning to attain a significant measure of political power in a central city or a satellite community. These groups may fear that governmental restructuring – whatever its possible advantages in other ways – will considerably reduce their new political muscle.

Established Interests. As with any set of social institutions, ongoing governmental arrangements accumulate a host of persons who rely heavily on the continuation of the *status quo:* officials, employees, contractors doing business with present governments, businesses subject to governmental regulation, and the like. For these people, the prospect of major structural change involves uncertainty, at best, and at worst it means the possible loss of familiar advantages of status or economic benefit. Furthermore, such "directly affected" elements of the community are likely to be a sizable and influential part of the population. Local government employees average about one in 12 of all gainfully employed people in metropolitan areas. Elective local officials in these areas number about 134,000 nationwide, or nearly 600 per SMSA. Suburbia probably averages at least one elective local official per 100 families, and the proportion is much higher than this in many suburban sections.[8]

Public Uncertainty. Unlike the limited but important groups just mentioned, most metropolitan residents lack close acquaintance with the local governments that serve and tax them. Even if they feel a strong concern about social problems and public service needs, their concern is not likely to promote structural change unless they can be convinced that existing organizational arrangements contribute seriously to the problems involved, that other kinds of action – such as more and larger grants from the state or Federal governments – would be inadequate, and that the proposed structural change offers promise of major improvement and is clearly better than any available alternative.

All of these are high hurdles for a would-be "civilizer" to surmount, especially in view of the complexity of inherited patterns and the difficulty of predicting future conditions and foretelling the probable effect of proposed changes. Popular concern for "crime in the streets," to cite one example, has triggered expansion of all the many separate police forces found in the typical metropolitan area, rather than stimulating efforts to combine them into a more effective unified instrument for public protection. And some who oppose change are likely to circulate unprovable or exaggerated predictions of the dire effects of reorganization – seeking to exploit the common human tendency to "rather bear those ills we have than fly to others that we know not of."[9]

The Thrust of ACIR Modernizing Government in Urban Areas Proposals

The Advisory Commission on Intergovernmental Relations, ever since its establishment in 1959, has given priority attention to the critical problem of fragmented governmental structure in metropolitan areas. In a series of policy reports[10] the Commission has underlined again and again the crucial role the states must play in civilizing the local government jungle. It has emphasized the critical need for state government to take vigorous, decisive action to tidy up the local government landscape. It also has pinpointed ways for the national government to prod laggards into action. And it has stressed the need for organized civil groups to arouse citizen concern at the local level.

The Commission's proposals in those reports target in on both short-term and long-range goals. They focus on state government as the constitutional parent of local government under our federal system. These recommendations call for strong, positive action by state government:[11]

1. To provide machinery at the state level to help local governments help themselves by:
    - creating state urban affairs agencies;
    - removing constitutional barriers to state legislative action; and
    - developing improved data on governmental performance and social conditions.
2. To discourage the helter-skelter proliferation of small, non-viable, local governments by:
    - limiting new incorporations;
    - limiting the growth of special districts;
    - withholding state aid from non-viable jurisdictions;
    - setting stricter annexation standards; and
    - empowering state or regional boundary commissions to consolidate or dissolve non-viable units.
3. To remove the shackles that cripple local efforts to meet local needs by:
    - clarifying local government powers;
    - permitting local determination of organizational structure; and
    - encouraging the formation of metropolitan area study commissions.[12]
4. To arm local governments with an arsenal of weapons to meet the challenges or urban growth by:
    - strengthening urban counties;
    - authorizing subordinate service areas;
    - permitting interlevel transfer of functions and interlocal joint service agreements; and
    - providing for general purpose areawide governments at the substate level.
5. To foster intergovernmental cooperation and coordination by developing state commissions on intergovernmental relations.

Over the years since they were made, some of these recommendations have been widely accepted. But the situation for which the Commission sought to provide remedial action continues serious, and in the course of its studies of regionalism, the Commission reexamined its earlier recommendations and developed a new program of action. This new program was included in a package of recommendations adopted by the Commission in 1974, and is discussed in this chapter.

State Machinery to Help Local Governments

To strengthen the state's capacity to help local governments cope more effectively with the trauma of urban growth, the ACIR proposed that the states: (1) establish state-level urban affairs agencies; (2) remove constitutional barriers to state legislative action on urban problems; and (3) encourage the compilation of comprehensive data for the evaluation of social conditions and governmental performance.

Create State Urban Affairs Agencies. In most states, a major and growing proportion of the population resides within metropolitan areas, where both money problems and social problems are especially pressing and complex. Traditionally, states have followed separate functional lines in dealing with local government – demonstrating concern for public schools, roads, health, and welfare, for example. Largely ignored by the states, however, were the interrelationships among these activities at the local level, and the related problems of the structure and functioning of local government. To fill this void the Commission urged that the states:

> . . . enact legislation establishing "an agency of the state government for continuing attention, review, and assistance with respect to the metropolitan areas of the state and associated problems of local government planning, structure, organization and finance."[13]

Wherever feasible, the Commission said, the state urban affairs agency should not be limited solely to dealing with metropolitan areas; rather, it should be concerned with local government problems throughout the state.

In a closely related recommendation, the Commission also urged the states to provide "financial and technical assistance to metropolitan areas in such fields as urban planning, urban renewal, building code modernization, and local government organization and finance."[14]

Since the mid-1960s, every state has set up some kind of administrative mechanism within its government to deal with local and/or urban problems. In their creation, the broader approach suggested by ACIR has been adopted. Their location within the government varies: in some states, the mechanism has been placed in the governor's office or the state planning or development office, but in most states, either a department or a formal office of urban or local affairs or community development has been set up. "Most of them act to coordinate programs that concern the urban areas of the state, study housing and other emerging urban problems, recommend action to the governor and legislature, provide planning and technical assistance to local units of government, and serve as a liaison between local governments and agencies of the state government."[15]

A few of these agencies have important planning responsibilities and administer urban renewal, redevelopment, housing, or urban poverty programs. In addition, they may influence local government structure through their research and advice on annexation, charters, and fiscal arrangements. As yet, few of them have played a significant role in stimulating basic restructuring. In the long run, however, through their broad knowledge of existing conditions and problems, their familiarity with applicable state laws, and their contacts with officialdom at both local and state levels, they may serve as catalysts for basic structural change.

Remove Constitutional Barriers to Legislative Action. The Advisory Commission concluded that the traditional concept of "home rule" should be modified to take account of its limited relevance to conditions within the modern metropolis. Government functions which in the 19th and early 20th centuries could be dealt with by individual local areas may now be matters of concern to a large metropolitan community or even to the state as a whole. Constitutional provisions that confer absolute home rule on separate local governments have the effect of handcuffing the state government; they frustrate efforts by the legislature and the governor to help meet functional problems that have grown too big for local government to handle unaided.

Accordingly, the Commission has recommended that states "considering either general constitutional revision or undertaking constitutional changes with regard to local home rule, reserve sufficient authority in the legislature to enable legislative action, where necessary, to modify responsibilities of and relationships among local units of government located within metropolitan areas in the best interests of the people of the areas as a whole."[16]

ACIR recommendations on this subject are illustrated by the new Montana Constitution, ratified in 1972, and the "Home Rule Charter and Optional Plans Law" adopted by the Pennsylvania legislature in the same year. The Montana Constitution contains a progressive local government article stating that local governments have all powers except those specifically prohibited by legislation, while the Pennsylvania law provides that "a municipality which has a home rule charter may exercise any power or perform any function not denied by [the state] constitution, by its home rule charter, or by the General Assembly at any time." Iowa and South Dakota both have made much the same provisions, Iowa by law in 1968, and South Dakota by constitutional amendment in 1972. The home rule constitutional amendment approved by the voters of Wyoming in 1972 limits home rule authority by retaining for the state the powers to establish debt limits, control boundary changes, and determine the procedures for the merger, consolidation, or dissolution of localities.

Improve Data on Governmental Performance and Social Conditions. A major barrier to intelligent appraisal – much less restructuring – of local government in metropolitan areas is the difficulty of measuring current conditions. The complex overlapping of governmental jurisdictions makes it hard to compare even the relative costs and tax burdens of various parts of the metropolis. Still greater obstacles must be surmounted to compare the "output" of local government units in various parts of the metropolis or between one metropolitan area and another. Yet, the quality of urban life rises and falls with the quality of public services and facilities.

"If the nation is concerned about what is happening to the 'quality of urban life,'" the Commission has observed, "then the nation needs to be equally concerned with the inability to measure this 'quality' and to draw meaningful intercommunity comparisons with any reasonable degree of objectivity. . . . We have not progressed far in measuring the 'social health,' or even the 'economic health' of our local governments."

Underscoring the many billions of tax and investment dollars going into metropolitan areas, the Commission points out that "private investor, governmental legislator and executive alike need to be able to find out how one unit of government compares with another in the adequacy and cost of services being provided."

In effect, what is needed is a "Dun and Bradstreet" for local government "functional health," as there has been one for fiscal health for a long time. Accordingly, the Commission has recommended that "Federal, state, and local officials work toward the establishment of data facilities for measuring for major urban functions the comparative performance levels of individual local units of government." To achieve greater objectivity, the

Commission has suggested that this effort should be undertaken by a "non-governmental organization and should look toward the establishment of optimal standards, the collection and analysis of data, and periodic publication of comparative figures."[17]

A related proposal emphasizes the need for better measures of social conditions – population characteristics, employment, poverty and unemployment, housing, health, education, crime, and the like. Observing that although "we have made great strides in the measurement and analysis of our nation's economic well-being we have only begun to scratch the surface in our efforts to gauge our nation's social well being," the Commission recommended: "a national system for the collection, analysis and dissemination of social statistics . . . with special emphasis upon the development of such data for substate geographic areas."[18]

The Commission also recommended that the "Internal Revenue Service expand its reporting of income statistics for Standard Metropolitan Statistical Areas to provide data [separately] for the units of general local government within such areas."[19]

Progress along these lines would, of course, improve the basis for public policy and program decisions at every level of government, as well as for private decisions affecting urban life. It would also supply some of the information so urgently needed for the intelligent appraisal and overdue restructuring of government arrangements in metropolitan America. But these state actions, helpful though they would be, would not get at the major reforms necessary to modernize local government. Other Commission recommendations speak to these more fundamental requirements.

Reconstituting Local Governments

In the course of its 1974 regionalism studies, ACIR reexamined its earlier recommendations on local government modernization. It found that no analysis of the complexities and challenge of recent substate regional developments would be complete without full consideration of the long-range, more elemental questions subsumed under the general heading of modernizing local government. Federally supported districts, state-established substate districts, special districts and public authorities, regional councils, and coordinative areawide procedures and devices are, after all, a reflection of the fact that the present jurisdictional and functional assignment pattern at the substate level, in all but a few cases, is markedly dysfunctional and increasingly undemocratic.

Efficiency, equity, and political accountability are basic goals that are difficult to approximate in any free governmental system, given the tension and conflict between and among them. But, at the substate regional level, again with some notable exceptions, no formal arena or familiar political process exists even to grapple with these issues and the countless specific policy questions – all of an areawide nature – that relate to them. This pushes many of these issues and policies to the Federal and state levels, and prompts these levels to sustain or mandate a variety of substate regional bodies and mechanisms. Legitimate and directly accountable authority, then, is the missing piece in the metropolitan and non-metropolitan regional mosaics. Moreover, the jurisdictional fragmentation and structural and fiscal weakness of many governmental units at the local level have compounded the problem of coping with servicing challenges.

This in no way denigrates the constructive role that can be assumed by the umbrella multijurisdictional organizations (UMJOs) which emerge from the recommendations advanced in *Chapter III* of this report. As the Commission viewed them, there is full compatibility between its UMJO proposals and the agenda for general local governmental reform. An overall effort in both areas must be mounted to bring the structure, functions, and personnel of units below the state level to a point where they can cope with the electorate's current and future servicing needs in a more efficient, effective, and accountable fashion than now generally prevails.

In some large substate regions, the UMJO would be the only politically feasible regional alternative either now or in the future – yet, local government modernization would still be possible and needed to facilitate many of the UMJOs' difficult assignments.[20] In other smaller, less complicated areas, the UMJO might be only a short-range response to the immediate problems of mushrooming districts – taking care of immediate areawide needs, while building an areawide consciensciousness and exploring areawide governmental organization options – leading eventually to some form of regional government. In a handful of substate regions, a regional government already is in place, and no UMJO would be necessary. Quite clearly, the differences among all these regions as to size, jurisdictional complexity, political attitudes, and servicing problems preclude any across-the-board generalizations about the specific relationship between the Commission's UMJO and general local governmental modernization proposals.

But despite this diversity, four facts stand out:

- All substate regions require an authoritative areawide decisionmaker, whether an UMJO or a government.

- All but a handful of these areas require a strengthening of their local units.
- Certainly, a majority of them face major hurdles in achieving areawide governmental reform in the near future.
- All of the interstate metropolitan areas confront insurmountable regional reorganization hurdles, save perhaps for the UMJO option.

These basic facts provide the connection between the Commission's UMJO and local governmental modernization proposals.

ACIR's new program for local and areawide governmental reform, which was adopted by the Commission in February 1974, basically involves two sets of recommendations, one directed to the states, and the other to the national government. The set of recommendations directed to the states envisages development of a comprehensive state policy and process incorporating a local government modernization agenda that embodies a half-dozen broad, but interrelated goals:

> First, this agenda seeks to place the clear sanction of state statutory authority behind a set of enforceable standards relating to municipal incorporation, local governmental viability, and annexation.
>
> Second, it recommends that states establish local government boundary commissions to apply these standards on a case-by-case basis, and to assume a continuing responsibility for matters such as the modification of substate district and county boundaries, and the dissolution or merger of special districts and of non-viable general local governmental units.
>
> Third, it includes a packet of nine reform proposals geared to revamping the structure of county governments, to sorting out and reconciling county and municipal servicing responsibilities, and to defining a state role that is supportive of better county planning, transfers of functions, and service mergers.
>
> Fourth, it urges state enactment of permissive legislation authorizing five different regional home rule options – multicounty consolidation, city-county merger, the modernized county, the multipurpose regional service corporation, and conversion of an UMJO into a general purpose government. The distinctive features of each of these governmental options are designed to meet the special problems of different types of substate regions. Adoption of any one, however, could only come about by popular referendum.
>
> Fifth, it provides for the establishment, where lacking, of broadly representative, permanent state advisory commissions on intergovernmental relations to probe the structure, functions, finances, and relationships of lower-tier, middle-tier, and state governments, and propose needed changes.
>
> Finally, it urges the Executive Branch of the Federal government and the Congress to adapt Federal policies and programs in a way that accommodates state and local efforts to reorganize governments at the substate regional and local levels – basically a supportive role.

Thus, the Commission sought to chart a sensible course toward local and areawide governmental reorganization in light of the continuing intergovernmental challenge at the substate regional level. The focus was chiefly on the states and localities, given the former's prime constitutional role and responsibilities *vis-a-vis* local governments and the latter's vital concern with actions that are taken on this front. The Federal government's assignment was seen largely as a complementary one.

Over the past dozen years in eight different reports, the Commission has urged state adoption of more than 25 separate non-fiscal recommendations relating to the strengthening and restructuring of the nation's counties and cities. The package of proposals adopted in 1974 builds on this foundation.

In urging this agenda for reform, the Commission was fully cognizant of the wide variations in local governmental forms, functions, and finances within and among the states. The Commission also recognized (a) that no single reform option could possibly apply to all substate regions and all local governments, (b) that effective umbrella multijurisdictional organizations may be the most suitable and feasible option in many instances, (c) that local reorganization efforts may be as crucial as areawide ones, (d) that the proper timing of reforms will vary from place to place, and (e) that no across-the-board formula can or should be devised to cover all the ways the states can assume a positive role in this vital process. Hence, this agenda incorporated considerable flexibility, while providing a clear direction and consistent basic purposes. Specific proposals will require state-by-state adaptations. But the prime goal of a more responsive system of local and areawide government should not be lost sight of in this adaptive process.

Primacy of the State Role. The Commission concluded that the time has come for all states to adopt a comprehensive, long-range policy with respect to the structure and functions of their local governments and the relationships of such governments to one another, to the state, and to official umbrella multijurisdictional organizations established pursuant to substate districting statutes. It noted that existing state policies in this pivotal area, for the most part, have been piecemeal, partial, and out-dated. It found that continuing urbanization and technological change have strained the capacity of most local governments within substate regions effectively to plan, administer, and finance needed public services.

At this point, then, the Commission concluded that the states in conjunction with their localities must devise a strategy designed to help local governments meet the structural, functional, and fiscal challenges of substate regionalism. This policy should be developed in a systematic, comprehensive fashion, considering distinctive state, non-metropolitan, and metropolitan jurisdictional problems. Hence,

> The Commission recommends that states through statutory, and, where necessary, constitutional action adopt a comprehensive local government structure and functions policy involving immediate goals as well as an on-going process for their implementation and updating. This policy should be geared (a) to structuring the system of local governments so as to make it more responsive and adaptable to the areawide as well as local needs of individual communities, (b) to interrelating substate regional districting and related activities with local governmental reform efforts, and (c) to striking a balance between state initiative and local as well as areawide self-determination in achieving the above two goals.[21]

Specifically, the Commission proposed a modernization program with seven major components and nearly two dozen significant subcomponents, all of which taken together are geared to facilitating the modernization of local and areawide governmental institutions, so that they may discharge their servicing responsibilities to their respective communities in a more effective, equitable, efficient, and accountable manner. The primary burden for leadership in this matter is placed on the states. This is as it should be. States no longer can assume the role of the passive bystander in this vital matter. Given the plethora of programs, mechanisms, and special purpose bodies that have by-passed or superseded general local governments, it does not overstate the case to claim that the existence of such local governments, as we have known them, is very much at stake. At this juncture, the state, as the legal parent of the localities and of many of the institutions that compete with them, must assume an active stance, as some states recently have done. The localities obviously have a role, and a complementary Federal role could be of critical help. In the final analysis, however, the electorate has the final word on all major reforms advanced here. But, the initiating thrust must come from the states, and such is the basic assumption undergirding this recommendation.

Discouraging Local Government Proliferation

The first component of the Commission's set of local government modernization recommendations to the states refers to the continuing need to develop viability standards.[22] To this end, the Commission recommended that, as a minimum, each state should enact legislation, or initiate constitutional amendments where necessary, which would set specific standards for assessing the structural, functional, fiscal, and geographic viability of all existing and proposed local governments – special districts and school districts as well as units of general government – using such factors as (a) their capacity to raise revenues adequately and equitably, (b) their mix of residential, industrial or other tax base components, (c) their population and geographic size, and socioeconomic and racial composition, and (d) the assignment of areawide and local governmental functions, including components thereof, to appropriate and accountable units of government.[23] Standards should also be set governing the orderly and equitable extension of municipal boundaries to embrace unincorporated territory, including procedures for (a) assigning initiation authority to municipal governing bodies as well as to residents seeking to be annexed, and (b) eliminating any absolute power on the part of inhabitants of unincorporated areas proposed for annexation to veto the proposal if it meets statutory standards.[24]

The criteria suggested in this recommendation were previously endorsed by the Commission and reaffirmed, in 1974, in somewhat modified form. In practice, standards relating to proposed new governments mean more restrictive municipal and special district incorporation statutes. Those relating to existing units of local government, on the other hand, involve specifying fiscal, socio-economic, and servicing criteria that can be converted into guides for practical implementation.

Incorporation Standards. The Commission in its 1961 report, *Governmental Structure, Organization and Planning in Metropolitan Areas,*[25] recommended that states enact legislation providing for rigorous standards for establishing new municipal incorporations in metropolitan areas. By 1974, 41 states had standards for municipal incorporation. Yet, most such standards are confined to such matters as minimum population, area, and property value concentrations. Only a handful of states go beyond these standards and require specific services to be supplied by the incorporating municipality. The need for more comprehensive and rigorous state incorporation standards obviously is as strong as ever.

The character and purpose of some, but not all, proposed municipal incorporations underscore this need. Many involve exceedingly small areas and tiny populations. A substantial portion of all municipal incorporations since 1970 fall into the 5,000 or less population category, or encompass a very small amount of territory – frequently less than five square miles. As of 1967, two-thirds of all metropolitan municipalities had less than 5,000 population, and 60 percent possessed a land area of less than two square miles. The pattern of incorporation in one metropolitan area is illustrated in *Map II*.

Incorporations sometimes occur for defensive purposes. Over 30 percent of all municipal incorporations between 1967 and 1972, for example, occurred in Texas and Oklahoma, where municipal annexation activities were on the rise. Other incorporations have been prompted for reasons of racial or social exclusion, while still others have been induced by programs of state tax sharing with municipalities. Such negative practices could be curbed by more rigorous incorporation standards. .

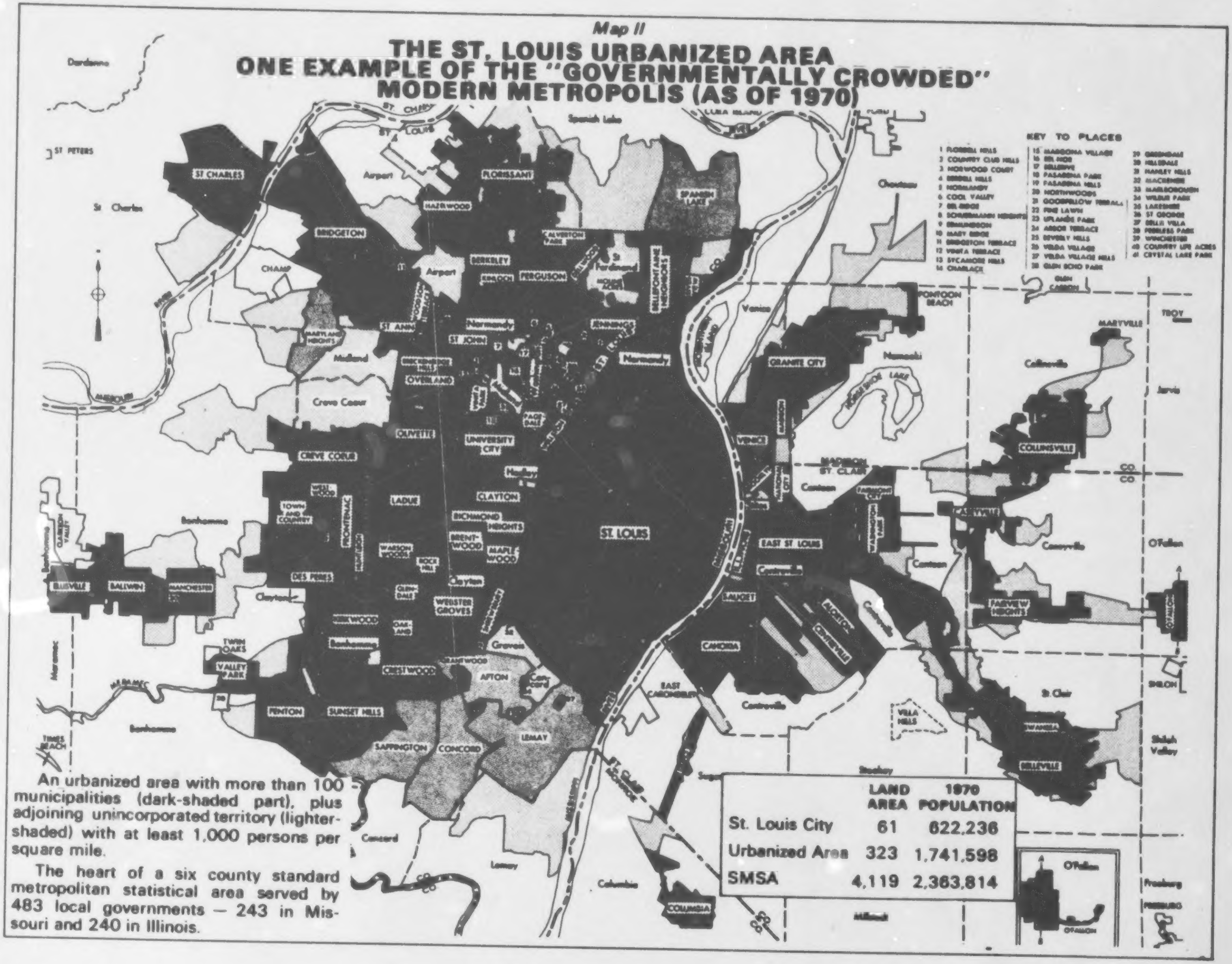
Some states have acted to establish an on-going process for administering and applying comprehensive standards for municipal incorporation. In 1974, six states had statewide, metropolitan, or countywide boundary commissions with the power to review and/or approve new incorporations. Experience in at least two of these states – Minnesota and California – suggests that rigorous incorporation standards enforced by strong boundary commissions can aid in controlling defensive and premature incorporations and can curb special district growth. In these areas, planned and deliberate, rather than *ad hoc* and unsystematic, incorporation tends to occur. Such was the intent of the Commission's earlier recommendations, and it constitutes a basic goal of its updated proposal.

Not only should state criteria extend to municipal incorporation procedures, but they should embrace standards for assessing the fiscal, socio-economic, and functional viability of existing local governments as well. In both its 1967 report on *Fiscal Balance in the American Federal System*, and its 1969 report on *State Aid to Local Government*, the Commission recommended that states enact local government viability criteria and take steps to restructure state aid and interlocal contracting policies that fracture metropolitan tax bases, exacerbate fiscal and socio-economic disparities, and prompt the proliferation of excessively small, functionally limited, fiscally unbalanced local governments.

In statutory terms, this means that standards should be specified which assure that existing local governments have the requisite population, economic, social, and fiscal bases necessary for effective administration of local services. Non-viable governments usually produce only a limited number and range of public services, and frequently cannot even provide minimum basic local services. Other governments, whether of a general or special purpose nature, frequently fill this servicing gap – either directly or through interlocal contracts and agreements. All this tends to undermine the entire concept of service accountability, and to make a myth of small units' claim to being general purpose governments. Such units in urban areas frequently compound the problems associated with metropolitan social, economic, and fiscal disparities.

Limiting Special Districts. Special districts, as already noted, have accounted for each of the growing complexity and layering of local government in metropolitan areas. Their number in the United States as a whole mushroomed from less than 9,000 in 1942 to almost 24,000 in 1972. In metropolitan areas alone, special districts increased from 6,153 in 1962, to 7,049 in 1967, to 8,054 in 1972.

In some cases, special districts may offer the only convenient way to meet important public service needs which traditional multipurpose local governments have not met. Generally, ACIR recommendations have been aimed at the removal of state imposed limits on general purpose local governments that lead to such situations.



Map II

THE ST. LOUIS URBANIZED AREA
ONE EXAMPLE OF THE "GOVERNMENTALLY CROWDED" MODERN METROPOLIS (AS OF 1970)

KEY TO PLACES
1 FLORDELL HILLS
2 COUNTRY CLUB HILLS
3 NORWOOD COURT
4 BERDELL HILLS
5 NORMANDY
6 COOL VALLEY
7 BEL-RIDGE
8 SCHUERMANN HEIGHTS
9 EDMUNDSON
10 MARY RIDGE
11 BRIDGETON TERRACE
12 VINITA TERRACE
13 SYCAMORE HILLS
14 CHARLACK
15 [illegible] VILLAGE
16 BEL-NOR
17 BELLERIVE
18 PASADENA PARK
19 PASADENA HILLS
20 NORTHWOODS
21 GOODFELLOW TERRACE
22 PINE LAWN
23 UPLANDS PARK
24 ARBOR TERRACE
25 BEVERLY HILLS
26 VELDA VILLAGE
27 VELDA VILLAGE HILLS
28 GLEN ECHO PARK
29 GREENDALE
30 HILLSDALE
31 HANLEY HILLS
32 MACKENZIE
33 MARLBOROUGH
34 WILBUR PARK
35 LAKESHIRE
36 ST GEORGE
37 BELLA VILLA
38 PEERLESS PARK
39 WINCHESTER
40 COUNTRY LIFE ACRES
41 CRYSTAL LAKE PARK
Dardenne
ST PETERS
St Charles
ST CHARLES
Airport
FLORISSANT
HAZELWOOD
Spanish Lake
SPANISH LAKE
BRIDGETON
CALVERTON PARK
BERKELEY
KINLOCH
FERGUSON
St Ferdinand
BELLEFONTAINE NEIGHBORS
CHAMP
MARYLAND HEIGHTS
ST ANN
Normandy
ST JOHN
JENNINGS
Midland
OVERLAND
Creve Coeur
OLIVETTE
UNIVERSITY CITY
CREVE COEUR
CLAYTON
LADUE
TOWN AND COUNTRY
FRONTENAC
RICHMOND HEIGHTS
BRENTWOOD
MAPLEWOOD
ST. LOUIS
Bonhomme
ELLISVILLE
BALLWIN
MANCHESTER
DES PERES
ROCK HILL
Clayton
GLENDALE
WEBSTER GROVES
KIRKWOOD
OAKLAND
TWIN OAKS
VALLEY PARK
CRESTWOOD
AFTON
Gravois
FENTON
SUNSET HILLS
SAPPINGTON
CONCORD
LEMAY
TIMES BEACH
Meramec
Concord
Lemay
Columbia
COLUMBIA
Millstadt
Chouteau
Venice
PONTOON BEACH
GRANITE CITY
Nameoki
HORSESHOE LAKE
VENICE
MADISON
ST. CLAIR
COLLINSVILLE
Collinsville
MARYVILLE
TROY
Jarvis
Canteen
EAST ST LOUIS
CASEYVILLE
Caseyville
O'Fallon
FAIRVIEW HEIGHTS
O'FALLON
SAUGET
CAHOKIA
ALORTON
CENTREVILLE
Centreville
EAST CARONDELET
VILLA HILLS
St Clair
SHILOH
SWANSEA
BELLEVILLE
Shiloh Valley
Stookey
Sugar Loaf
Freeburg
FREEBURG
MISSISSIPPI
MISSOURI

	LAND AREA	1970 POPULATION
St. Louis City	61	622,236
Urbanized Area	323	1,741,598
SMSA	4,119	2,363,814

An urbanized area with more than 100 municipalities (dark-shaded part), plus adjoining unincorporated territory (lighter-shaded) with at least 1,000 persons per square mile.

The heart of a six county standard metropolitan statistical area served by 483 local governments — 243 in Missouri and 240 in Illinois.

Nevertheless, the Commission recommends that action along these lines takes time, and in any event there will continue to be limited circumstances where special districts can properly be used. With this in mind, ACIR has urged state action (1) to limit the creation of new special districts to appropriate circumstances and provide means for the elimination or consolidation of those districts which have outlived their usefulness, and (2) to increase the "visibility" and public accountability of special districts and promote coordination of their operations with those of general purpose governments. The Commission also has recommended Federal action (3) to modify existing Federal categorical aid programs that promote and favor special districts rather than general purpose local governments – and some action has been taken to this end.

These recommendations, reaffirmed by the Commission in 1974, reflect the view that in the absence of compelling conditions to the contrary, local public services should be provided through multipurpose units of general government. Assignment of responsibility for some services to independent specialized units tends to reduce the public's effective control over local government, to interfere with an orderly evaluation and reconciliation of competing demands for the local revenue dollar, and to hamper coordination of interrelated services. In addition, use of special districts often tends to increase local government costs – they are likely to involve at least some duplication of administrative overhead and to promote excessive use of revenue bond financing, with higher interest costs than otherwise might be incurred.

To help insure that new special districts are established only where no better alternative action is available, the Commission has recommended that states "enact legislation to provide that no special district be created prior to review and approval of the proposed district by a designated agency consisting of representatives of the county or counties and city or cities within which the proposed district will operate."[26]

The Commission has advised further that consent to the creation of a new district be given only where the local approval agency, after careful consideration, determines that "no unit of general local government or existing special district, acting singly or jointly, is willing and able to provide the service and the approval agency finds a need for the proposed service [which the district is to provide.]"[27]

If the proposed district is to perform functions affecting state programs, such as natural resource development or pollution control, the Commission concluded that the proposal also should be subject to advance review by the appropriate functional agency of the state. Decisions resulting from these reviews should be subject to court review upon appeal.

Observing that special districts often continue to exist after an appropriate unit of general local government (or a single district rather than several) could very well assume their responsibilities, the Commission also recommended that states "enact legislation: (1) providing a simple procedure for consolidation of special districts performing the same or similar functions; [and] (2) permitting an appropriate unit of general government to assume responsibility for the function of the special district."[28]

Other Commission recommendations concerning special districts take account of their usual remoteness from public view and the need to relate their programs and operations to those of general purpose governments.

The need for visibility arises from various factors. Most states even lack an overall inventory of their local special districts. Districts are legally authorized by a vast and complex array of state authorizing statutes. Only about half of the special districts have governing bodies that are popularly elected; the rest are run by appointed boards. Even if the district officials are subject to election, the vote typically is very light, suggesting lack of popular knowledge or interest.

The potential impact of special district operations upon other local governments is far greater than might appear. This is particularly true for units that provide such urban-type services and facilities as water supply, sewerage, and fire protection (making up about 40% of all the special districts in metropolitan areas). Not only do these units represent a response to the outward thrust of urbanization, they also strongly influence the location and nature of new development, with all that implies for the central city and satellite municipalities of the modern metropolis. Short-sighted, ill-conceived, or uncoordinated action by special districts is likely to create difficult problems for other governments – such as school districts, for example, which must provide educational facilities, and county and municipal governments that are expected to furnish roads and streets, handle traffic, regulate land use, and provide other essential services.

To fill these gaps, the Advisory Commission has recommended that the states require that a designated agency of the state – as well as the appropriate local governments – be informed of the creation of all special districts, and that budgets and accounts of special districts be formulated and maintained according to uniform procedures determined by an appropriate state agency which would arrange audits of district accounts at regular intervals.

The Commission also suggested that the units of general government must approve any acquisition of land within their boundaries by a special district and that any proposal for special district capital improvements be submitted for comment to the units of general government where the proposed improvements would occur.

The Commission further advised counties and municipalities to include in each individual property owner's tax bill an itemization of special district property taxes and special assessments and to include pertinent information on the activities of all special districts in the county or municipal annual reports. In addition, the Commission urged that service charges levied by special districts be reviewed and approved by the governing body of a unit of general government or by an appropriate state agency. Finally, the Commission recommended that each state undertake a comprehensive study of all special districts to ascertain their number, type, function, and financing.[29]

State Aid and Viable Governments. School district consolidation has been achieved in many states by fashioning school aid formulas that reward districts which consolidate, and that penalize small inefficient ones which do not. But state aid programs for other types of local governments rarely include financial incentives for desirable structural reform. As noted in *Chapter II*, distribution formulas in some instances actually operate in the opposite direction: they shore up governments that otherwise might dissolve or merge, and even promote the further multiplication of small "tax haven" units in and around metropolitan areas.

In light of these considerations, the Commission recommended in 1965 that each state "examine its present system of grants, shared taxes, and authorization for local nonproperty taxes, and remove all features that aggravate differences in local fiscal capacity to deal with service requirements in metropolitan areas and that encourage or support the proliferation of local governments within such areas."[30] In addition, the Commission expressed the view that state aid formulas should provide positive disincentives to the creation or continuation of small units of local government in metropolitan areas. Specifically, the Commission urged "amendment of formulas providing state aid to local governments so as to eliminate or reduce aid allotments to small units of local government not meeting statutory standards of economic, geographic, and political viability."[31]

These recommendations for discouraging proliferation and limiting the independence of special districts through fiscal means reinforce the Commission's view that in most cases local public services should be provided through multipurpose units of general government – thereby enhancing the public's effective control over local government, and making possible (a) an orderly evaluation and reconciliation of competing demands for the local revenue dollar, (b) adequate coordination of interrelated services, and (c) cost reductions.

The Commission has urged expansion of the local government viability criteria to cover questions relating to the assignment of functions among areawide and local governments, because many functions (and components thereof) are more effectively performed either by areawide or local governmental units – as explained in *Chapter III*. While a clear-cut and precise allocation of functional responsibility is difficult to arrive at, ACIR believes that it is a state responsibility, and that such determinations should be reflected in the allocations of state aid.

Localities that are to provide essentially regional functions and areawide units that are given the responsibility for administering essentially local functions run the risk of being functionally non-viable. Under either of these circumstances, the level in question would be administering inefficiently and ineffectively services for which another would be more suited. Moreover, in instances where the localities realistically do not attempt to assume an essentially areawide function and where no regional general purpose unit exists, either a special district, a state agency, or no unit takes on the servicing assignment – and this raises the broader question of the viability of the substate regional governance system as a whole.

Non-viable governments which exacerbate fiscal disparities and districting problems are often a key factor prompting arbitrary state intervention in substate functional matters. Such units also generate, directly or indirectly, pressures for increased state aid or the transfer of essentially local functions to regional or state agencies. These actions, in turn, may result in an ineffective division of functions among the governmental levels, unnecessary state fiscal assistance to some units, and the propping-up of ineffective and only partially accountable units of local government.

The Commission was therefore convinced that viability criteria are not a barrier to, but a buttress for, effective local government operations. In essence, they would simply seek to assure that local governments within a state, at a minimum, are able to discharge effectively those governmental responsibilities which are commensurate with their particular local governmental status. Such status should enable that unit to be ready, willing, and able to discharge its service responsibilities in an efficient, effective, equitable, and accountable fashion. Viability standards and consistent functional assignments which are reinforced consciously through state aid systems can and should be used to achieve this end.

Annexation Standards. Another feature of viability standards reaffirms and clarifies the Commission's earlier recommendation for standards governing municipal annexation. In its 1961 report, *Governmental Structure, Organization and Planning in Metropolitan Areas*, the Commission endorsed the principle of state criteria or standards for promoting more equitable and facilitative annexation policies. It also recommended granting municipalities the power to initiate annexation procedures, and urged states to consider not permitting inhabitants of unincorporated areas to exercise a unilateral veto over annexation procedures. The Commission has reaffirmed its 1961 recommendation and gone further to recommend outright prohibition of unincorporated area vetos over annexations.

The Commission recognized the important part that annexation has played and will continue to play in American local government viability. Annexation, particularly in the South and West, has contributed to the growth of dominant central cities and helped to curb the interjurisdictional local disparities found in much of the northeast and midwest.

Annexation, in many cases, can offer benefits to both municipalities and unincorporated areas. Annexing municipalities can gain the land area and economic base needed for continued economic growth and social stability, while fringe areas can receive a wider range of local services.

Yet, specific statutory criteria or standards should govern annexation actions. In some cases, annexations have been resisted for patently racial or fiscal reasons and, in other instances, they have been a product more of local economic boosterism rather than of a planned policy of municipal growth. In still other cases, fringe areas have been annexed and not supplied with adequate municipal services. Under any of these circumstances, annexation becomes nothing more than a form of jurisdictional gerrymandering, unrelated to a planned and staged policy of municipal service expansion.

State standards and criteria for annexation should require municipalities to justify their actions and meet certain statutory requirements, especially servicing requirements, before annexation could occur. With such standards, annexation could be better related to various substate growth policies – something which has long been a concern of ACIR.

The Commission noted that a number of states already have enacted general standards relating to the geography, extent of urbanization, and servicing standards to be maintained in annexed areas. In the six boundary commission states (see next section), fairly elaborate administrative review systems govern such annexation actions.

At a minimum, the Commission advocated state enactments granting municipalities the right to initiate annexation procedures and prohibiting unilateral vetos of annexations by inhabitants of the unincorporated areas involved. Twenty-five states already grant municipalities the power to initiate such annexations, and most of these prohibit fringe areas from exercising a unilateral veto. These procedural improvements should be extended to all states.

Local Government Boundary Commissions. The Commission further recommended establishment of local government boundary commissions at the state and/or local levels. Members might be appointed by the governor and confirmed by the state senate, and could include a mix of officials of general local governments and appropriate state agencies, as well as representatives of the general public, as some states have done – or solely the latter, as others have required.

The Commission believes that a boundary commission should be empowered by state legislation to:

1) serve as the ongoing implementing agent of the state standards for local government viability;
2) approve new municipal incorporations;
3) dissolve or consolidate non-viable local governments;
4) limit the creation of new special districts;
5) consolidate or dissolve special districts;
6) prevent the use of certain interlocal contracts;
7) recommend modifications of county boundaries;
8) propose adjustments of substate district boundaries;
9) oversee municipal annexations; and
10) develop "spheres of municipal influence."

The first function assigned to local boundary commissions is largely a matter of providing an administrative focal point of state statutory standards relating to incorporation, annexation, and local governmental viability. Frequently, states have enacted standards in the first two areas, but have failed to establish a permanent unit to oversee and apply them systematically on a case-by-case basis. The assignment of this implementing authority would fill this basic administrative gap.

The next five powers (2-6) have all been recommended by the Commission in earlier reports. In connection with its recommendations that certain limitations be placed upon home rule within metropolitan areas,[32] it called for rigorous statutory standards for the establishment of new municipal corporations within metropolitan areas, and provided "for the administrative review and approval of such proposed new incorporations by the unit of state government concerned. . . ."[33] This, of course, is one of the basic functions now being proposed for assignment to local government boundary commissions.

In 1964, ACIR recommended city and/or county approval prior to the creation of any new special district. This would be done by these local jurisdictions acting through a "designated agency," and it was also recommended that such an agency be authorized to require the "dissolution or consolidation of special districts."[34] In its 1974 recommendations, the Commission urged that local government boundary commissions assume the role and powers of such a "designated agency" with regard to special districts.

In its 1967 report on *Fiscal Balance*, ACIR recommended that a state agency or a "local agency formation commission" be empowered to dissolve or consolidate non-viable local units of government within metropolitan areas, and to enjoin the use of certain undesirable interlocal contracts.[35] These two powers, urged in 1974, were simple restatements of the Commission's earlier position.

Clearly, many of the powers assigned to the local government boundary commissions in this component are not new ones for the Commission. In some instances, the implementing agent has been changed or clarified. But this, in turn, reflects the noteworthy record of existing boundary commissions in these areas. The additional authority called for in 1974, however, goes beyond ACIR's earlier recommendations in three basic ways:

1. The previous recommendations dealt primarily with control over municipalities and special districts and were concerned very largely with metropolitan areas. The 1974 recommendations broaden this control to include counties and substate districts explicitly, and would apply it on a statewide basis – covering non-metropolitan as well as metropolitan areas. The Commission's substate regional studies reveal that counties are key governments in many areas, and that non-metropolitan areas have just as great, though perhaps different, reasons for governmental reform as do the metropolitan areas.[36] The substate study also made it clear that statewide systems of substate districts are now quite extensive and are beginning to set new jurisdictional boundaries of major significance – above the county level in most cases, but still below the state level.[37] Generally, states have provided ways of adjusting the boundaries of these substate districts. But, unless these modifications are made in concert with adjustments involving units of local government, they could well add to the complexity of the local and areawide scene, rather than simplify it.

2. Boundary commission functions in previous recommendations stressed negative limits which the Commission would place on boundary changes. The new recommendations provide the basis for certain initiatives by the boundary commission itself.

3. Whereas previous recommendations stressed a reactive case-by-case approach, the 1974 proposal stresses a continuing and comprehensive approach to the boundary and functional assignment problems, encompassing all units of local government. This approach includes such things as coverage of the whole state by a commission or commissions, the development of long-range plans for future boundary changes through the "spheres of municipal influence" mechanism, and periodic reporting of progress toward these long-range goals.

This component of the Commission's local government modernization strategy, and the role it assigns to local government boundary commissions, are rooted in reality. Boundary commissions are not theoretical; they have been tried and tested. They were being used (as of 1974) in seven states – Alaska, Minnesota, Michigan, California, Oregon, Washington, and Iowa.

Like Iowa's new boundary commission, those in Alaska, Minnesota, and Michigan are statewide. In

California, Oregon, and Washington, the boundary commissions have been established at the local level. Each California Local Agency Formation Commission has jurisdiction over a whole county, and they exist in all counties save one. In Oregon and Washington, the boundary commissions have been mandated for the major urban areas; they are permitted in other areas of these states, but none except the mandated ones have been formed.

A variety of precedents clearly are available to follow. There are statewide boundary commissions and local boundary commissions, and the local ones have been organized on the basis of either an individual county or a multicounty metropolitan region. So far, this has been an "either-or" situation. No state has adopted a combination of the two, whereby a statewide commission would oversee the operations of a subordinate set of locally organized boundary commissions.

Both the statewide and local approaches have advantages. The local units could not very well oversee such actions as multicounty mergers or the revision of substate district boundaries. They also would be unable to achieve substantial uniformity in the approach to local government changes throughout the state. A statewide boundary agency could accomplish these objectives and be far enough removed from local politics to avoid being caught up in parochial concerns which might act against the most appropriate application of statutory standards relating to local government boundaries and viability. On the other hand, a single statewide boundary commission, in the more populous states, might find itself overwhelmed by the need to act simultaneously in a number of different areas of the state. Moreover, it would not have immediate access to local governments involved in a needed reform.

A system headed by a single state boundary commission, but fleshed out with a subordinate local government boundary commission in each region of the state, or in each of the major regions, might well be able to take advantage of both types of operations. In less populated states, the state commission itself might be adequate to handle most of the local details in nonmetropolitan areas, while being relieved of the local detail by a local level commission in the most populated part of the state.

Where subordinate local level commissions are adopted, substate district areas, rather than single counties, might well be used as the geographic base. One of the major purposes of such boundary commissions, after all, would be to rationalize the local governmental system beneath the umbrella multijurisdictional organizations serving many such regions. In most cases, the substate districts are multicounty, and therefore, could not be served effectively by single county boundary commissions. At the same time, some substate districts are single county, and in those cases a single county boundary commission would be appropriate to deal with regional matters.

The experience in Oregon and Washington suggests that simply authorizing local boundary commissions, rather than mandating them, may not be an effective way to move on this front. The areas in these two states where such commissions were not mandated have simply not chosen to establish boundary commissions.

Actual practice with regard to the membership of boundary commissions varies a great deal from state to state. The number of members ranges from three to 11, and the governor often plays a major role in appointing the members – sometimes acting at his own initiative, and sometimes choosing from a list of nominees supplied by affected governments at the local level. In some cases, positions are earmarked for representatives of particular governments. In California, the four governmental members of each Local Agency Formation Commission choose a fifth member who is a representative of the general public. On the other hand, in Oregon no local elected or appointive official may serve as a member of a local boundary commission, because he might have a conflict of interest. The ACIR believes that the membership issue should be handled by each state in light of its own needs and traditions.

In addition to assuming new responsibilities relating to the boundaries of counties and substate districts, the local government boundary commissions would be assigned a new role in establishing long-range plans and spheres of local governmental influence as well as maximum expansion limits to guide annexations, incorporations, and future development. Existing commissions initially lacked authority to develop and initiate boundary changes themselves, and could only approve or disapprove proposals initiated by others. However, in 1970 the California legislature directed its county boundary commissions to prepare (with the cities) sphere of influence plans for all municipalities – a task that was assigned to the statewide boundary commission in Minnesota in 1969. Although lacking specific legislative authorization, the local boundary commissions in Eugene and Portland, Oregon, are participating in the development of spheres of influence plans. These activities are a logical and practical necessity, if local government boundary commissions are to pursue effective reform programs on their own initiative.

There are at least three basic reasons for developing such long-range plans:

- Competitive, preemptive, and defensive annexations can be more easily curbed when such plans have been developed.
- Decisions relating to special district formation and expansion are greatly simplified if plans for municipal assumption of urban functions are known and scheduled.
- An annexing city will be better able to plan physical facilities and land use control when it knows the eventual limits of its jurisdiction; and fringe areas will have advance knowledge of zoning and subdivision standards, thus facilitating private and public planning in such areas.

Various factors must be considered when judging the effectiveness of the boundary commission approach to date. With only seven states involved, it cannot be said that this has been a nationwide effort. At the same time, some boundary controls have been established in states without official commissions, either by state legislatures themselves or through state agencies. In addition, even in those states which have adopted the boundary commission approach, experience has been rather brief. The first two boundary commissions were established in Alaska and Minnesota in 1959; California launched its local commissions in 1963; and the State of Washington followed in 1967. Michigan and Oregon were not added to the list until 1969, and Iowa not until 1974.

Despite their short history, though, fairly significant achievements have been chalked up by these boundary commissions. The Minnesota commission's first decade of experience showed a drastically reduced rate of new municipal corporations and a doubling of their average size. With respect to annexation, the local boundary commissions in California and Oregon have turned down only a very small percentage of the proposals coming before them. But in this process, the Portland and Salem commissions have modified about 25 percent of their approved proposals, and nearly 10 percent of those approved in California have been modified. There also is evidence that a number of proposals have not been submitted or have been withdrawn when faced with likely disapproval by the commissions.

The California commissions have virtually eliminated special interest and defensive incorporations of new municipalities, and slowed new incorporations generally. During the limited period of time that commissions have been operating in Washington and Oregon, no new municipal incorporations have been approved. The California and Oregon commissions also have slowed the growth of special districts. In California, the 1952-62 period saw an increase of 572 special districts, while the decade 1962-72 produced only 342. Since its organization in 1969, the Portland boundary commission has reduced the number of governmental units in that area from 303 to 198 by merging such units as highway lighting districts with county service districts.

No evaluation of these commissions should ignore the fact that several of them have been given added power since they were originally formed. Moreover, no state actually launching local boundary commissions has later terminated them.

At the same time, the local government boundary commission has never been employed as the sole device in any state for achieving boundary reforms. Always they have been used in conjunction with other procedures and governmental institutions – and this strategy is embodied in the ACIR recommendations.

While boundary commissions are not the sole means of guiding and initiating local governmental reform and change, they can be a key mechanism in these efforts. Moreover, they can make contributions that others cannot match. As permanent, relatively impartial units with adequate authority, they are in a unique position to reconcile competing proposed local and areawide governmental changes, to promote new actions where they otherwise might not occur, and to apprise the executive and legislative branches of the state government of those more basic reforms requiring statutory enactment. For these and other reasons, the Commission assigned these units a basic role in a comprehensive state program for reforming the structure, functions, and intergovernmental relationships of their local jurisdictions.

Unshackling Local Governments

As has been demonstrated already, the would-be civilizer of the local government jungle is confronted with formidable obstacles: the opposition of those who feel they benefit from existing geographic differentials in tax levels and from existing social disparities; the resistance of those who are currently benefiting from the existing governments; and the basic reluctance of people generally to exchange something mediocre but familiar for something unknown. These barriers to successful reorganization efforts tax the political ingenuity, dedication, and energy of the "civilizers," even within metropolitan areas that are fortunate enough to have liberal state constitutional and statutory authority to refashion local governments according to the will of the local electorate. Where the framework of state laws and constitutional provisions is restrictive, the task of effective reoganization is all the more formidable.

In most states, such restrictions exist, forming legal barriers to the adaptation of multipurpose governments to meet growing and changing needs. Recommendations of the Advisory Commission in this area zero in on unshackling local government by relaxing or eliminating state-imposed restrictions and encouraging basic restructuring of local government in metropolitan areas. These proposals call for state action, by statute or constitutional amendment, as follows.

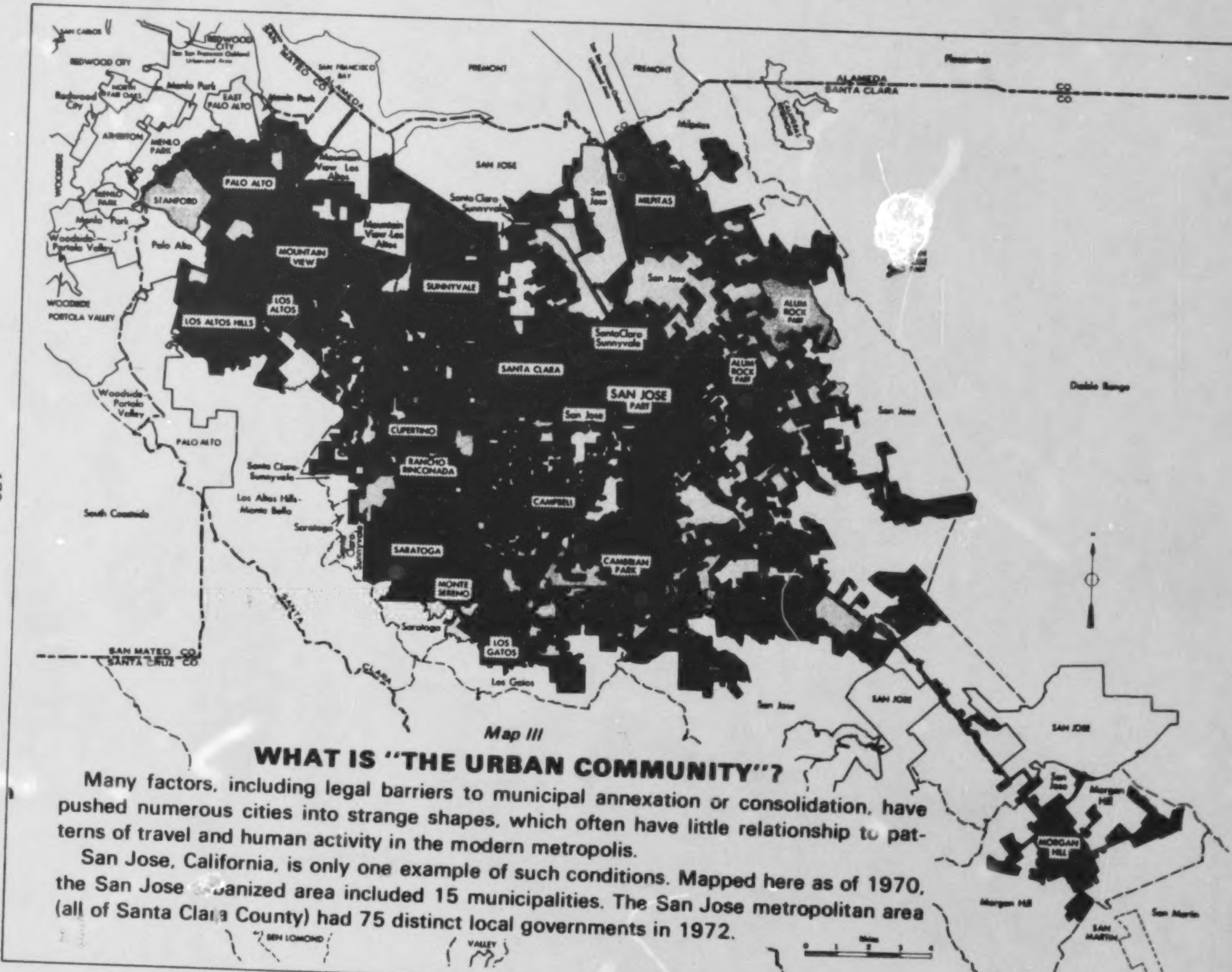
Clarify the Legal Powers of Local Governments. Although local governments can only exercise those powers affirmatively granted them by state constitutional or statutory provisions, in fact, narrow judicial rulings have sharply limited those powers, on the one hand, while, on the other hand, broad home rule powers granted to municipalities and counties in some states have limited the legislature's power to deal with areawide problems. To counter these divergent difficulties, the Commission supports the "residual powers" approach under which the states "in their constitutions grant to selected units of local government all functional powers not expressly reserved, preempted, or restricted by the legislature." Furthermore, it recommends that as a general policy state legislatures use "broad language in amending and enacting legislation affecting the powers of local government relating to . . . all modern service functions. . . ."[38] All such powers should be lodged in general governing bodies rather than in functional officers or agencies, and the delegation of residual powers should be accompanied by a thorough review of existing conditions, a careful determination of the particular types of multipurpose local governments best suited to exercise the powers delegated, and the enactment of a comprehensive code spelling out the limitations on powers granted localities and those reserved for the state.

Authorize Cities and Counties to Determine Their Own Internal Structure. Many states prescribe in detail the organization and internal structure of their city and county governments. Many of these provisions are stultifying. They fragment policy making and management responsibilities, mix legislative and executive functions, and hamper the development of effective local political leadership. The Commission has concluded that, subject only to appropriate general guidelines, there should be broad local discretion to determine the appropriate internal form of municipal and county governments, and that the legal barriers to local adaptation and change should be held to a minimum. Thus, the Commission has recommended that the states permit municipalities, by ordinance or pursuant to simple petition or referendum procedures, to adopt optional forms of municipal government, and that they permit counties, again through petition or referendum, to choose optional forms of county government.[39] Recent judicial extension to local governing bodies of the "one-man, one-vote" principle has provided an opportunity and incentive for state action to broaden local authority to determine internal structure.

Eliminate Election of Multiple Local Administrative Officials. As noted earlier in this study, the number of county elected officials can run as high as 30. Such excessive diffusion of responsibility clearly limits the policy-making role of local governing boards and hampers executive leadership and coordination. Some county officials serve primarily on behalf of the state. Where these are locally elected, the Commission has not recommended change. But the Commission has recommended that local governing bodies should have substantial control over all other local officials – those engaged in administering the broad range both of service activities and of "sustaining" functions, such as tax administration. The states should enact general legislation lodging responsibility for appointment, tenure, and salary determination of such officials in the general governing bodies of the appropriate units of local government. Similarly, the Commission has recommended that states empower all classes of municipalities to appoint all city officers other than the mayor and council members.[40]

Authorize Metropolitan Study Commissions. Recognizing that there is no best single approach to governmental organization in metropolitan areas, and that change will likely come about in an evolutionary as opposed to a revolutionary manner, as well as understanding that in many places structural problems are too serious to be solved at one fell swoop, the Commission has urged the states to enact legislation "authorizing the establishment of metropolitan area commissions on local government structure and services, for the purpose of developing proposals for revising and improving local government structure and services in metropolitan areas."[41] *Map III* illustrates the complexity of this task in one metropolitan area.

The states have responded to each of the Commission's "unshackling" recommendations in a variety of ways since they were made, and much progress has been made. Until all the states have responded, however, local governments in urban areas will not be able to do all they can on their own to improve themselves and their services.


REDWOOD CITY
Redwood City
Menlo Park
EAST PALO ALTO
ATHERTON
MENLO PARK
WOODSIDE
PORTOLA VALLEY
Woodside-Portola Valley
Palo Alto
PALO ALTO
STANFORD
MOUNTAIN VIEW
Mountain View Los Altos
LOS ALTOS
LOS ALTOS HILLS
SAN MATEO CO
ALAMEDA CO
SAN FRANCISCO BAY
FREMONT
SAN JOSE
Santa Clara-Sunnyvale
SUNNYVALE
San Jose
MILPITAS
Milpitas
ALAMEDA
SANTA CLARA
CO
Pleasanton
ALUM ROCK PARK
SantaClara Sunnyvale
SANTA CLARA
SAN JOSE PART
Diablo Range
CUPERTINO
RANCHO RINCONADA
CAMPBELL
Los Altos Hills-Monte Bello
South Coastside
Saratoga
SARATOGA
MONTE SERENO
CAMBRIAN PARK
LOS GATOS
Los Gatos
SAN MATEO CO
SANTA CRUZ CO
SANTA CLARA
MORGAN HILL
Morgan Hill
SAN MARTIN
San Martin
BEN LOMOND
VALLEY

Map III

WHAT IS "THE URBAN COMMUNITY"?

Many factors, including legal barriers to municipal annexation or consolidation, have pushed numerous cities into strange shapes, which often have little relationship to patterns of travel and human activity in the modern metropolis.

San Jose, California, is only one example of such conditions. Mapped here as of 1970, the San Jose urbanized area included 15 municipalities. The San Jose metropolitan area (all of Santa Clara County) had 75 distinct local governments in 1972.

Authorizing County and Areawide Governmental Reforms

Counties need both structural and functional reforms as well as more attention to their relationships with the states and possibilities for the performance of areawide services. Where counties are not the answer to the need for areawide performance of services, other regional approaches must be considered.

County Reform – Structural. The Commission's 1974 omnibus state-oriented recommendations for local government modernization set forth county reform measures that combine to cover most of the structural and area needs of rural as well as metropolitan counties. These new county initiatives complement the purposes of the local government boundary commission(s).

By confronting both the boundary and structural problems of counties, the Commission's recommendations raise the possibility of a reformed county assuming the role of an umbrella multijurisdictional organization in certain substate regions. This especially is the case for those urban areas that lie entirely, or mostly, within a single county. And, if the merger of counties in rural areas becomes feasible politically, then these proposals certainly have application in certain non-metropolitan areas as well. At the same time, even without a match of county and substate regional boundaries, the reformed county still stands as a major, middle-tier, building block government with significant servicing, coordinative, and fiscal roles to play in those interstate and intrastate multicounty regions where boundary adaptations face insurmountable legal and political hurdles.

The structure, resources, scope, and power of America's 3,047 counties is as varied as the history that shaped them. The population of counties ranges from more than 7-million in Los Angeles County to 164 in Loving County, Texas. Texas has 254 counties, while Connecticut and Rhode Island have none. County budgets vary as greatly as their population, but the average county receives about 42 percent of its funds from the property tax and 40 percent from state aid.

About 90 percent of the nation's counties still operate under the traditional "plural executive" – an independently elected county board of commissioners (or supervisors). About 300 counties have moved to the county manager form of government under which the elected commission appoints an administrator with considerable authority to perform the executive tasks of the county. Another 46 counties have gone a step further to elect a county chief executive with even greater authority and administrative responsibility.

Traditionally, counties were responsible for functions such as public safety, corrections, public welfare, roads and highways, health, tax assessment and collection, and general court administration. About two-fifths of the counties have assumed new regional service responsibilities, including such activities as mass transit, airports, junior colleges, pollution control, and water supply. And about one-fifth of the counties provide certain urban services, including fire protection, refuse and garbage collection, libraries, parks and recreation, hospitals, and urban renewal. But many of these functions, as well as the more traditional county responsibilities, are now being performed on an areawide basis by special districts, public authorities, and other narrow purpose regional agencies. Strongly influencing this development has been the Federal government.

Throughout the 1960s, Congress and various Federal agencies pinpointed the problems to be addressed on a multijurisdictional basis, and established requirements and financial incentives in two dozen programs which have influenced the form and operations of the organizations set up to handle them. As we have seen, a diverse assortment of substate regional bodies has been created as a result of this Federal initiative.

It is not desirable for every county to perform every function, but a far greater number of counties could be given the option of providing more services with greater efficiency.

The ability to choose among alternative governmental structures is vital in providing the kind of county government which answers the needs of its citizens.

In its 1969 report, *Urban America and the Federal System*, the Commission concluded that

> So varied are the needs, so intricate the structural machinery, so complex the problems, that no single pattern of functional authority will be equal to all the tasks facing local government in metropolitan America today. Rather, in the judgment of the Advisory Commission, local government must be armed with an arsenal of weapons that may be employed singly or in combination.
>
> To this end the Advisory Commission proposes state action to:
>
> - strengthen urban counties and facilitate county consolidation,
> - permit counties to set up subordinate service areas,

- authorize major cities and urban counties to create neighborhood "subunits" of government,
- allow voluntary transfer of functions between cities and counties and joint-service arrangements, and
- empower metropolitan functional authorities to provide services that require areawide handling.[42]

While recognizing that much has transpired on this front over the past dozen years, the Commission strongly reaffirmed its earlier stand in 1974.

In 1962, only eight states allowed counties to choose their form of government. Ten years later that number had nearly tripled. There has been major progress, then, in allowing counties to modernize themselves structurally, but there is still much work to be done. According to a survey jointly undertaken in 1972 by ACIR, the International City Management Association, and the National Association of Counties, 80 percent of the over 1,000 reporting counties still have a commission or plural executive form of government, 18 percent operate under the council-administrator structure, and 2 percent have an elected executive. Many counties now using the commission form are prohibited by state law from opting for another.

In view of the fact that half of the states still have not authorized optional forms of county government, the Commission feels that it is still relevant to include this proposal in any complete county reform packet. Urban, suburban, and rural counties have different demands made on them, and they should be able to choose the structure that is most suitable for their different needs, if they are to be effective, middle-tier units of government.

The first new plank in the Commission's 1974 county reform recommendations calls for state action requiring the adoption of a council-appointed administrator or council and popularly elected executive form of government in major metropolitan counties. As has been demonstrated throughout this report, the local governance system in the vast majority of metropolitan areas is highly fragmented. In those 191 situations where a county takes in all or most of a metropolitan area, it has a unique opportunity to undertake regional problem solving. To be as effective as possible, however, county government needs the strong leadership, accountability, and professionalism provided by a full-time executive officer – either appointed by the county board or popularly elected. The popularity of these structures is shown in 47 percent of the nation's unicounty SMSAs which operate under them. These already include 38.2-million people – 66 percent of the total population found in unicounty metropolitan areas.

A commission government has no single executive, either appointed or elected, and responsibility for running the various departments is spread out among the commissioners and several other elected officials. More times than not, this makes for a headless government, with little citizen ability to pinpoint responsibility for overall governmental actions.

Both the appointed administrator and elected executive forms provide a single focus for daily administration. The county legislative board is then free to set policy goals for the county, and the voters are better able to hold officials responsible for their actions.

It can be argued that, desirable though the administrator or elected executive forms may be for providing strong county government, the decision should be that of the localities, not the state government. Yet, to a greater degree than any other local governmental unit, counties traditionally have been shaped by the states. Moreover, the alternatives to weak counties in these metropolitan areas are fast becoming apparent and, in the long run, will work to the detriment of state as well as county and city interests. The draft bill on county administration prepared by Florida's Commission on Local Government incorporates the mandatory feature proposed here and applies it to all counties over 100,000 in population. That Commission agrees that ample grounds exist for positive state action in this area now.

Turning to the second reform in the Commission's county proposals, in many states a sizable number of elected county officials are enumerated in the constitution. These generally include some or most of the following: sheriff, coroner, clerk, recorder, tax collector, treasurer, attorney, assessor, auditor, and judicial officials, as well as the board of commissioners. Because of their constitutional status, these elected officials with their separate constituencies tend to make county administrative reform a difficult matter. Moreover, they confront the voters with a long list of offices and candidates from which to choose, with the attendant problems of the "laundry list" ballot.

Placing all county officers on a statutory rather than constitutional basis is a basic way of providing flexibility in county government. With proper state authorizing action, each county would be able to ascertain what officials should be retained and what the mode of selection should be, thus giving more substance to the home rule doctrine. Broader county reform efforts also would be strengthened by this means, because simply replacing a commission form with a council-elected executive or administrator structure would not adequately enhance centralized decision making if a large number of independent elected officials with control over various departments were constitutionally exempted.

Some people contend that the existing diffusion of authority is desirable. By electing officers responsible for a particular function, the voters are able to control the operations of specific departments. Hence, they argue, the constitutional status of these offices is necessary in order to guarantee that they will not be abolished by the state or by the county under home rule authority. Others raise serious political feasibility questions regarding any effort to make these offices statutory.

But does the proliferation of posts increase public accountability? With many executive officers in a relatively independent position and having interrelated functional responsibilities, it becomes possible for these officials to blame others for governmental action or inaction. By placing county offices on a statutory – rather than a constitutional basis – some positions admittedly would run the risk of abolition or consolidation. Yet, what does county structural home rule amount to if these jurisdictions and their electorates are saddled with a parcel of state mandated positions? The risks then must be weighed against the need for greater flexibility and free choice in these structural matters. Given the climate of current public opinion and the vital nature of most of these offices, it is difficult to contemplate their wholesale scrapping. Finally, regarding the question of political feasibility, the Commission can only pose another question: How long can counties survive with a mandated hydra-headed government?

The third plank in the ACIR structural reform program supports state legislation permitting the intercounty merger of offices and functions. In previous reports, the Commission has recommended state constitutional and statutory action to allow for cooperation among local jurisdictions. This proposal would expand those recommendations by allowing adjacent counties to consolidate like functions and offices, including elected ones. Only two states – Montana and Nebraska – provide such authorization at this time. Yet, the fiscal and functional benefits from county consolidation of offices – especially in rural areas – can be significant. The ACIR-ICMA survey of intergovernmental service agreements showed that nearly every government entering a cooperative venture did so to achieve economies of scale. It is reasonable to assume that similar economies might be accomplished through consolidation of elected county offices.

The fusion of county offices can help in bringing about better, more efficient services, but in some cases, consolidation of the entire county governments would produce even more desirable results. Hence, in the final subcomponent of this county reform packet, state authorizing action in this critical area is sanctioned.

Currently, 19 states permit county-county consolidation. Almost all require a referendum with a majority in each county favoring the merger. Thus, a county is protected from being swallowed up by its neighbors against its will.

The advantages of county consolidation are obvious. The new county would have an expanded tax base from which to raise revenues, while supporting only one government instead of two or more. Funds would be freed to provide a higher level of services. Not to be ignored is the fact that in some of the cases the consolidated county would have a more authoritative control over problems of a regional nature and be in a position to assume the UMJO role for Federal and state substate districting efforts.

Some argue that there could be disadvantages to such consolidations. A merger could produce a government too large, especially in geography, to provide the kind of personal government people need. Yet, no merger could be accomplished without the approval of the people in each county, and the voters should be the best judges of the size and effectiveness of the proposed new government. Moreover, though county-municipal, county-town, and county-unincorporated area relationships might be affected by the merger, the new system would still be two tier, with all the opportunities for areawide and local assignment of functions that this reorganization approach affords.

Table XXII shows which states have enacted the structured reforms described above, and where the need for such action remains unsatisfied.

County Reform – Functional.[43] The fourth component of the Commission's county reform recommendations focuses primarily on the need to clarify and standardize the servicing responsibilities of counties, and to eliminate conflict and confusion in county-municipal functional relationships. Included in this cluster of functional assignment proposals is a reaffirmation of the Commission's earlier position that counties should be empowered to serve as the dominant service provider in unincorporated areas.[44] Counties frequently provide a variety of services solely to unincorporated areas. Such services generally include police and fire protection, highways, sewers, water supply, and land use controls. Yet, these functions often are of uneven quality, and sometimes they are financed in an unfair fashion.

Table XXII

COUNTY MODERNIZATION LEGISLATION

Spring 1976

States	Residual Powers to Counties	Number of Constitutionally Protected Elective County Offices	Optional Forms of County Government Available	Local Government Consolidation Permitted City-County	County-County	Number of Government Consolida-tion being Considered (All are City-County)	Number of County Charter Commissions In Operation
Alabama		1				3	
Alaska	X		X	X	X		
Arizona		6	X	X			1
Arkansas		3					
California		1	X	X	X	1	3
Colorado		8	X				
Connecticut							
Delaware		6					
District of Columbia							
Florida		6*	X	X		2	2
Georgia		1	X		X		
Hawaii			X				
Idaho		5			X		
Illinois		3	X		X		1
Indiana		7	X			1	
Iowa						1	
Kansas	X						1
Kentucky	X	9		X	X	2	
Louisiana			X		X		
Maine		1					
Maryland		3	X				1
Massachusetts							
Michigan		4	X		X		
Minnesota			X		X		3
Mississippi		5			X		
Missouri			X	X	X		
Montana			X	X	X	1	51

Table XXII (Continued)

COUNTY MODERNIZATION LEGISLATION

Spring 1976

States	Residual Powers to Counties	Number of Constitutionally Protected Elective County Offices	Optional Forms of County Government Available	Local Government Consolidation Permitted		Number of Government Consolidation being Considered (All are City-County)	Number of County Charter Commissions In Operation
				City-County	County-County		
Nebraska				X	X	1	
Nevada		**	X			1	
New Hampshire		5					
New Jersey			X				9
New Mexico			X	X	X		1
New York		4***	X			1	1
North Carolina		2	X	X	X	4	1
North Dakota		7	X		X	1	
Ohio			X				
Oklahoma		8					
Oregon		3	X	X		1	5
Pennsylvania		9	X	X	X		3
Rhode Island							
South Carolina			X		X	1	1
South Dakota		7	X		X		1
Tennessee		5	X	X	X		
Texas	X	5				1	
Utah			X				3
Vermont		3					
Virginia		5	X	X	X		
Washington		3	X	X	X	3	
West Virginia		5				1	
Wisconsin			X		X		
Wyoming							

*One office (court clerk) is protected except where otherwise provided by charter.

**County offices enumerated in state constitution but legislature has the power to abolish them.

***County offices may be abolished by adopting alternative form of county government with voter referendum approval.

SOURCE: ACIR staff research.

The Commission urges that states authorize counties to improve and expand their services in unincorporated areas by providing such functions through a combination of service agreements, contracts, subcounty multiservice corporations, and/or subordinate multipurpose taxing-servicing districts. Moreover, services provided by these means should not be subsidized by the taxes of incorporated areas, nor should they be performed by independent special districts.

This proposal is rooted in recommendations advanced in two earlier Commission reports, *State Constitutional and Statutory Restrictions Upon the Structural, Functional, and Personnel Powers of Local Government* and *The Problem of Special Districts in American Government.*[45] In these studies, the subcounty service corporation and subordinate taxing area approaches were sanctioned.

By 1973, 20 states had acted to permit the establishment of county subordinate taxing districts. Yet, the mere authorization of subordinate taxing districts has not solved all the servicing problems of unincorporated areas. In some states where these subordinate districts have been authorized, independent special districts have continued to proliferate, as they have in California. The record elsewhere also suggests that counties having the authority often do not use subordinate districts for the provision of all unincorporated area services. When this lapse occurs, either a special district is formed, or incorporated area taxpayers end up subsidizing county services that are provided solely to unincorporated areas.

Hence, the Commission recommends that counties follow a program that utilizes service agreements, or contracts with private parties or non-profit community associations, or that relies on multiservice corporations or subordinate multiservice districts for delivery of services in unincorporated areas. The Commission also believes the financing of these mechanisms should come from unincorporated areas, and the use of independent special districts in these areas should be minimized.

This strategy has a number of advantages. It would encourage various multiservicing devices, all of which provide a stronger and more complete service base in unincorporated areas. It would ease the way for eventual planned incorporation of populated unincorporated areas. It would curb the growth of independent special districts in these areas, and help terminate a situation where over 65 percent of all special districts are non-coterminous subcounty districts, and where many of them serve unincorporated areas. Finally, it would help to end the fiscal inequities that occur when unincorporated areas' services are needlessly subsidized by taxes from incorporated areas.

The Commission also endorses state action authorizing counties to provide municipal-type services in incorporated areas under certain circumstances, and requiring that such services, when assumed, must meet performance standards embodied in a county ordinance that is agreed to by the county and its constituent municipalities. This plank is significant for three basic reasons. First, it begins to provide a meaningful functional dimension to the concept of county home rule; second, it is geared to eliminating situations wherein counties are barred legally from assuming an urban servicing role even when their cities and/or citizenry clearly desire it; and third, it seeks to reduce conflict between counties performing urban-style functions and their incorporated localities.

Functional home rule at the county level is still the exception, not the rule. Nearly three-quarters of all urban county expenditures still are made for traditional county functions. Moreover, while libraries, parks, recreation, fire protection, and solid waste disposal are assuming a larger role in some of these counties' budgets, a majority of these jurisdictions are not involved significantly in municipal-type services. Some of this is due to a lack of proper authority, and some of it is due to a basic reluctance on the part of some counties to take on this assignment. No reliable surveys presently exist that indicate which of these two shackles is most responsible for this condition. But action on the authorizing front would eliminate the argument that the state is to blame, and it would place the issue squarely before the counties.

The Commission, therefore, has recommended that those states that have not yet done so authorize their counties to perform a range of urban and municipal-type functions. Such action is of the utmost importance, because many counties are prohibited from taking on an additional servicing responsibility, even when their cities and citizenry call for it. The Commission firmly believes that counties should be in a legal position to respond affirmatively to such initiatives, and to assume functions previously assigned to multijurisdictional special districts.

This recommendation cites three specific servicing situations where counties should be able to act in assuming a new servicing assignment. The first is where a special district of countywide, or even less than countywide, dimensions already provides an areawide service. The Commission proposals would eliminate legal barriers to a merger of such districts with counties, and would remove one of the basic reasons for the proliferation of multijurisdictional special districts within counties – all with a view toward converting the latter into more viable regional and subregional governmental units in functional terms.

A second situation arises when a municipality requests a county to undertake a new servicing role. Here, the permissive authority endorsed in the recommendation would enable a county legally to take on a functional assignment that had become too arduous or too areawide for a municipality – or even a combination of municipalities – to continue to provide. In effect, then, the Commission's goal here is to facilitate the voluntary transfer of functions between these two governmental levels.

A third context in which counties should assume a municipal-type servicing role is where the public approves a referendum calling for the county to perform a specific function on a countywide basis. In this instance, the enabling authority would permit counties to respond positively to a decision of their respective electorates to establish a legitimate assignment of functions.

In recommending the establishment of performance standards for such new or reassigned urban services – standards that the county and cities agree upon – the Commission is mindful of the fact that various urban functions, especially in the human resources and public safety areas, are more complex and frequently require more differentiated implementation than other types of services. Moreover, these standards are significant in light of the fact that over half of the local governments in the 1972 ACIR-ICMA survey on interlocal service agreements indicated that they evaluated such agreements on the basis of objective performance standards. Without such standards, effective and fully accountable provision of the county services involved might be undermined. Since these standards would touch on cost apportionments, they also would remove another source of interlevel tension.

The second part of this Commission proposal for counties to perform urban functions is designed to help eliminate the service overlap and duplication problems which arise when cities and counties share the responsibility for providing a function. Police protection, roads and highways, and parks and recreation are the most prominent existing examples of this. Frequently, subcounty governments provide the basic elements of a service, while counties provide supplementary or supportive services that a municipality is unable to provide.

Such sharing of responsibilities is especially needed when a service has both regional and local dimensions. Where there is concurrent provision of such services, the Commission is convinced that divisions of labor can and should be worked out, with service offerings coordinated between counties and municipalities in a manner that meets with the basic approval of the constituent cities involved.

In instances where a municipality believes that its performance of the function requires no additional county assistance, in-lieu payments to the locality should take place. Otherwise, the county would supplement the service in question with auxiliary or supportive functional components. Such a policy would go a long way towards easing city-county functional conflict.

The third subcomponent of the urban functions recommendation urges the states to enact broad legislation authorizing and clarifying the process of functional transfers between and among local jurisdictions and areawide bodies. The Commission believes that such legislation, at a minimum, should facilitate the transfer process, distinguish a transfer from a service contract, and make revocation of a transfer hinge on inadequate performance of the service.

As of 1971, only ten states had general authorization for the transfer of functions. Five of these required voter approval and concurrent majorities in the jurisdictions involved, and five provided for revocation of the transfer. The first stipulation makes transfers difficult to accomplish, while the second renders them less than permanent and more like a simple service contract.

The Commission has long held that the reallocation of service responsibilities through functional transfers is a basic way to meet shifting service demands.[46] To utilize this mechanism to its fullest potential, however, more states should enact broad permissive legislation – as they have done for intergovernmental cooperation. Such legislation should leave the decision making authority regarding the transfer up to the governing bodies of the governments involved. Voter approval provisions, especially when coupled with the concurrent majority requirement, more times than not, serve minority interests, given the usually low level of turn-out in such referenda. Moreover, the judgment, knowledge and political accountability of the people's elected representatives deserve greater weight in matters of this sort.

The Commission believes that the proposed state legislation also should deal with the performance of a transferred service and the conditions under which it might be returned to its original government or governments. Allowing a government to revoke a transfer at will, or stipulating a specific time period in the original transfer agreement, makes a transfer little more than a service contract.

The Commission recognized that the government transferring a function should have some assurance that the service will be performed in a satisfactory manner. Therefore, it recommended adoption of requirements that the jurisdictions involved should set service standards at the time of the transfer, and that revocation should occur only when the performance of the service falls below these standards. The Commission further recommended that an impartial instrumentality, such as a local government boundary commission, be designated during the process of transfer as the body to determine whether the service meets the agreed-upon performance standards. The purpose here is to provide a disinterested agency which could resolve possible later controversies relating to the provision of the service.

To sum up, this functional assignment recommendation encompasses four basic approaches that can work together to help reduce the confusion that often impedes a sensible sorting out of servicing roles at the city and county levels. The county as the dominant service-provider for its unincorporated areas is one obvious – but not always applied – possibility. The county as the partial provider of certain, chiefly area-wide, urban services to its incorporated areas is another. A sensible formula for achieving greater interlevel cooperation and less conflict, when a county attempts to assume components of a function already performed by its cities, is a third essential element. The fourth and final feature of this recommendation involves a less rigid procedural, but a more rigorous definitional, statutory authorization for the transfer of functions. This four-part recommendation is more fully advanced in Volume IV of the Commission's substate regionalism study and described in *Chapter III* of this report.[47]

State Role in County Functional Performance. In the fifth component of its county reform recommendations, the Commission urged state enactment of a pair of programs that would begin to carve out a stronger state role in the functional assignment process. First, it proposed a statute focusing on planning, zoning, and subdivision regulations for unincorporated areas.[48] Here, the Commission recommended increased county involvement with these regulations in unincorporated areas. Where such involvement is not forthcoming, the Commission further recommended that an appropriate state agency assume responsibility for such controls.

Many counties now provide land use planning, zoning, and subdivision control services in unincorporated areas. About 40 percent of the 1,000 counties surveyed in the 1971 ACIR-ICMA-NACO county survey had assumed this role, and over 65 percent of the 45 largest metropolitan counties had adopted both zoning and subdivision control regulations for their unincorporated areas, as of that year. Clearly then, a substantial number of urban and rural counties presently are performing these land use control tasks. The Commission welcomed this trend and expressed hopes that it would continue.

All 50 states now authorize zoning of unincorporated areas. Yet, a few – notably the six New England states, New York, and New Jersey – still do not vest such powers with counties, and rely instead on extraterritorial zoning by subcounty units of government. The remaining 42 states, however, do give counties the power to enact land use controls in these areas. ACIR believes that where counties have this legal authority, they should exercise it.

County land use controls in unincorporated areas can be a key factor in guiding urban growth, promoting balanced economic development, and planning for more efficient and effective public services. Moreover, county controls in unincorporated areas can be the base for more constructive community development when these areas decide to incorporate and have to exercise their own land use controls. The county, then, must undertake these responsibilities in order to insure planned and systematic development of unincorporated areas.

If counties do not choose to exercise these powers, the Commission recommends that an appropriate state agency be empowered to do so. Presently, about 14 states confer certain land use control powers on selected state agencies. Most of these exercise general supervisory controls over local land use policies. While state involvement in zoning chiefly centers on the protection of environmentally valuable lands or the regulation of large-scale development, a few states have assumed local zoning powers when they are not exercised by the pertinent local governments. For example, Wisconsin permits state zoning of flood-plain areas, and Oregon authorizes state assumption of county zoning controls when local land use controls have not been utilized. A 1975 Florida law provides for state assumption of both county and municipal planning powers if they are not exercised locally by a specific date.

Clearly, the state involvement called for in ACIR's proposal is neither novel nor drastic. Moreover, it is somewhat comparable to what the Commission has called for in other service matters, notably the assurance of basic police services in metropolitan areas.[49] Such state involvement, in the Commission's opinion, would provide an incentive for counties to meet this basic planning and zoning responsibility, a task that a substantial number of counties already have assumed.

The Commission also urges greater state technical and fiscal assistance for interlocal transfer and consolidation of functions. Such state support is warranted in light of the infrequent use of functional transfers and consolidations, the lack of local understanding about how these actions might be effectuated, and the high costs that are sometimes initially involved in such actions.

Functional consolidations comprised only about 8 percent of the over 11,000 intergovernmental service agreements identified in the 1972 ACIR-ICMA survey, and involved the same percent of the over 1,000 counties responding to the 1971 ACIR-ICMA-NACO survey. Functional transfers and consolidations clearly are not a common means of changing substate functional assignments.

The barriers to increased use of functional transfers and consolidations are numerous.[50] Many states have conflicting and complicated provisions for transfer and consolidation, often with separate legal authorizations for different functions. Localities frequently avoid transfers or consolidations that involve cooperation either in sensitive services or with economically or socially dissimilar communities. A range of 30 to 60 percent of all New Jersey municipalities surveyed by the Musto Commission on New Jersey local government in 1970 indicated that differences in local financial resources or in the social composition of the jurisdictions were the two most prominent barriers to interlocal functional cooperation. Other studies in Philadelphia and Detroit confirm these findings.

State assistance of the type urged here would help reduce the technical and fiscal restraints on interlocal functional transfers and consolidations. Management feasibility studies could indicate the best legal means of effectuating such actions and suggest which one – transfer or consolidation – would be more appropriate in changing a local functional assignment. Temporary fiscal assistance would help defray extraordinary financial burdens incurred at the outset, particularly costs connected with interlocal fiscal equalization or debt maintenance. State assistance of both types would decrease pressure on state governments to assume directly the operation of the service itself, as has occurred in the fields of corrections, health, and hospitals in many states.

Opponents of special state actions of these types contend that management feasibility studies and extraordinary costs of transfers and consolidations are integral parts of such actions, and are not deserving of special state assistance. They point out that, when barriers to transfers and consolidations are prominent, states can mandate such changes. After all, they argue, county assumption of welfare, health, and hospital functions in many states has occurred as a result of such mandating. In addition, states could channel their categorical aid to particular local governments in a way that encourages functional transfers or consolidations. These actions, opponents contend, would suffice to bring about the transfers and consolidations that are really needed.

The Commission noted these objections, but was convinced that state encouragement of transfers and consolidation is both necessary and desirable. Similar types of incentives have been used to help bring about school district consolidation, and they could well be as successful in non-educational areas. Moreover, the fiscal and political barriers to certain transfers and consolidations are so deep-seated that concerted state technical and fiscal assistance is necessary to promote these interlocal, rather than state-mandated, approaches to changing substate functional assignments.

Areawide Governmental Possibilities. The sixth major component in the Commission's 1974 proposed omnibus state policy on local governmental reform recommends state authorization of various forms of general purpose areawide governments at the substate regional level. In essence, this component would give the citizens of each substate region the opportunity to select their own best regional home rule option by statutorily providing five different regional governmental forms from which to choose.

Each type would be headed by a directly elected governing body, and each would be empowered to act as a full-fledged local government, at least for the purpose of performing areawide functions. The designation of five types signifies that there are great differences in the population and geographic size of such regions, and that the existing governmental make-up and political traditions in these areas differ widely. Hence, these five quite different structural options are offered to provide a local electorate with some real choices if support for some kind of areawide restructuring arises. The five options to be provided would be:

1) multicounty consolidation;
2) a reformed county;
3) conversion of an umbrella multijurisdictional organization (UMJO) into a multipurpose areawide government;
4) a regional service corporation; and
5) city-county consolidation.

The first two options, multicounty consolidation and the reformed county, would create strong two-tier governmental arrangements whereby the merged or reformed county would perform all needed areawide functions, while leaving local services to municipalities, towns, subordinate county service areas, or dependent special districts. The reformed county would be somewhat easier to establish, since it could be achieved by adopting the basic structural and functional reforms, including the transfer of some functions, that are advocated by the "new county" movement in many states. The recommendations on strengthened counties already set forth spell out the basic structural and functional features of this program. The reformed county option, however, would be practical only in a single county region. The multicounty merger would be more appropriate where the region encompasses several counties, and where their collective population is adequate to support the merged county government. This alternative would have special relevance in numerous rural and mixed urban-rural substate regions.

The more complex options – the ones more suitable for large, diverse, usually highly urbanized areas – are the converted umbrella multijurisdictional organization (UMJO) and the regional service corporation. When applied to such areas, these two approaches could create three-tier governmental structures, involving a new areawide organization, plus two or more counties at the subregional level, and municipalities as well as other local governments at the most local level. These options, then, would be especially suitable in areas where a single areawide government would be too large and too remote to provide any but the most highly regional types of services. In this situation, the traditional county functions such as courts, public welfare, public health, public safety, and corrections would be left to county administration, as well as those that might be assumed as a result of functional home rule reforms. Local services, of course, would be left to the municipalities, subordinate county service areas, or dependent special districts. Not to be overlooked with this pair of alternatives is their potential application to smaller substate regions, where other proposed options might prove unfeasible. County-county mergers may prove impossible in many areas, and the reformed county formula may be unworkable in the smaller urban areas where they would be most appropriate.

The final option, city-county consolidation, is probably the simplest in form and theory, but one of the more difficult to achieve. This approach, after all, would merge the existing governments in a county region into a single government. At the same time, this reform would be especially suitable for small or medium size substate regions involving only a single county with a single dominant municipality. Other smaller municipalities and special districts could be merged at the same time as the predominant city and county are consolidated. Alternatively, they could be left as local units with the new county serving as their areawide government – an approach that has been applied in some recent consolidations. Where several major cities are involved, this reform could prove difficult – if not impossible – to achieve. The size of the county area, then, should be small enough so that a single government encompassing it would not be too remote from its residents. Once the consolidation takes place, subordinate service districts or limited purpose neighborhood units of government might be established.

The move to one of these options in any given substate region might be initiated in a number of different ways – all with a view toward providing a statutory means of covering a range of conditions and concerns – including metropolitan and non-metropolitan areas, cities and suburbs, state and local action, and citizens as well as their existing governments. Yet, any initiative – regardless of its source – would be subject to a popular referendum involving a simple areawide or a concurrent majority vote, thus placing the ultimate decision on fundamental areawide reorganization in the hands of the citizenry.

This reform component systematizes and builds upon a number of previous Commission recommendations appearing chiefly in three of its earliest studies: *Governmental Structure, Organization and Planning in Metropolitan Areas* (1961), *Alternative Approaches to Governmental Reorganization in Metropolitan Areas* (1962), and *State Constitutional and Statutory Restrictions Upon the Structural, Functional, and Personnel Powers of Local Government* (1962). Out of these reports emerged ten alternative approaches to governmental reorganization in metropolitan areas: extraterritorial powers, interlocal agreements, voluntary councils of government, the urban county, transfer of functions (including to states), metropolitan servicing districts, annexation, city-county separation, city-county consolidation, and federation.

In these earlier volumes, the Commission adopted recommendations specifically endorsing all of the first seven, yet, with the admonition that "there is no best single approach to governmental reorganization applicable to all conditions and times." The final trio was not really rejected. City-county consolidation and city-county separation, however, were found to "have shown limited recent potential as methods of governmental reorganization," while the full-fledged federation plan was deemed at that time to lack "political and public acceptance."[51]

All of these ten approaches – with the exception of extraterritorial powers – have been probed again in the Commission's study of substate regionalism with entire background chapters in either Volume I or Volume III given over to bringing their respective records up-to-date. Moreover, this research has not covered merely metropolitan, but non-metropolitan areas as well. Out of it comes the general finding that the less drastic of these approaches – intergovernmental agreements, voluntary councils of government, transfers of functions, and annexation – have been used fairly extensively since 1962. But with only a few exceptions, none of them have provided an effective means of achieving a greater regional governing capability. On the other hand, another finding suggests that those approaches that do lay claim to this promise have been much less frequently tried, though more so in the last decade than earlier.

The recent record of these more fundamental approaches to areawide reform indicates spotty application – with only a few cases of new units encompassing a whole urban area or large region. Yet, examples of practically all of the basic restructuring options do, in fact, now exist. Multipurpose districts have been authorized by some states, and a few are functioning. A new general purpose areawide unit with real authority – the Metropolitan council – has been created outside of existing units of government in the Twin Cities area of Minnesota.[52] This council was established by direct action of the state legislature, and it overlays the existing county and city governments, forming a third tier. All other areawide governments with real authority have been city-county consolidations, or the reformed county where areawide functions were transferred to the county while the cities and towns remained intact. The most dramatic instance of this latter form, of course, is the Miami-Dade County federation.

The 14 city-county consolidations approved since 1962 represent more adoptions than occurred during the previous century and half. While these 14 cases obviously are significant, the overall record of city-county consolidation is not so impressive. Of the approximately 100 single county SMSAs in the United States, where consolidation would have the greatest areawide significance, only two have city-county consolidations. While the record of achieving areawide government through consolidation is slightly better if the measure is relaxed to encompass those containing a substantial majority of their metropolitan populations, this solution still has been applied to no more than 5 or 6 percent of the applicable areas. Except for Indianapolis, Anchorage, Alaska and Las Vegas, all of the metropolitan city-county consolidations have been in the South – although the most recent proposals failing referenda (Salt Lake City, Portland, Oregon and Sacramento, California) have been in the West. With the exception of Indianapolis and Las Vegas, where the state legislatures mandated the consolidation, all recent city-county consolidations have involved local initiatives and referenda. Moreover, the referenda have required concurrent majorities in each of the city and county units to approve consolidation. With most of the consolidation proposals, this obstacle has been insuperable. All told, the successful consolidations represent less than one-third of those formally proposed to the voters.

Six of the city-county consolidations achieved during the past quarter century encompassed most of the population in their respective SMSAs and resulted from campaigns designed to launch metropolitan area governments. Yet, only three have actually been coterminous with their SMSA boundaries, while three others encompassed at least 70 percent of their SMSA population. All of these city-county consolidations have been limited to medium size metropolitan areas with 1970 populations ranging from 167,000 to 792,000.

Summarizing actual experience to date, there are now actual examples of city-county consolidation, the regional service corporation, the reformed county, and a partial example of a converted umbrella multijurisdictional organization.[53] Only the multicounty merger model stands apart as a theoretical option, not yet tried in contemporary real life. For the most part, then, we are dealing with actual reorganization approaches that have been put into practice largely during the past decade. Moreover, if the late 19th century history of county government is considered, even the county-county consolidation option cannot be described in academic terms. Finally, if one glances northward toward Canada, as Volume V in ACIR's substate regional series does, then still other real world applications of a number of reorganizational reforms can be found.

In adopting this proposal for state authorization of various forms of general purpose areawide governments, the Commission clearly was conscious of the march of time. It by no means intended to denigrate the other, less fundamental, approaches to regional and subregional reorganization by this action. Other components in this very recommendation relating to annexation procedures, county reform, and functional transfers provide ample evidence that such was not its intent. But the Commission strongly believed that it was time to give the citizenry and their governments a chance to change their substate governance system to meet demonstrated areawide needs. Given the rapid pace of institutional and servicing change at this level, no other position is tenable – assuming, of course, that the electorate under the American system should retain the ultimate right to shape the governmental system. In these recommendations, the Commission gave paramount recognition to this right. Yet, it made no claim as to the merit of one reform option as against another in any given situation. Nor did it necessarily assert that any of them is necessary in any particular substate region. The Commission was profoundly aware of the nearly unending variety of individual regions and the foolishness of assuming such unbending positions.

This recommendation, then, merely urges state enactment of permissive legislation that would allow the several areawide electorates and their local governments to reorganize regionally, if and when substantial sentiment for such reform develops. At the same time, it deals with several fundamental questions that must be faced whenever this point may be reached. First is the issue of whether a given substate region should have a one-tier, two-tier, or three-tier governmental structure. This is a question that is determined largely by the size and complexity of the area, the number of forms of local governments within it, and whether the area crosses state lines. The approach reflected in this recommendation is to provide all three of these general options, with alternatives in two of them, and to rely upon the citizenry and local governments concerned to make the final choice for a given area.

Another issue is whether the governing body of the upper-tier (areawide) government should be separately elected, or composed of ex-officio representatives of the lower-tier localities. This is really not an issue where the chosen form of areawide government is the multicounty merger, city-county consolidation, or reformed county. In each of these cases, the upper-tier government is a bona fide county government in the traditional sense, and these are always headed by directly elected officials. The question does become important, however, with regard to the converted umbrella multijurisdictional organization and the regional service corporation, both of which exist at a third-tier level with the counties and municipalities operating below. In this situation, a directly elected governing body would be the third substate level body to be chosen by the same electors. There are precedents for this, in that a number of special districts and school boards are elected independently of city and county governments. Nevertheless, a separately elected body at this level, exercising areawide responsibilities, undoubtedly would be a sensitive point with local governmental officials. A possible compromise here is a bicameral formula with one chamber popularly chosen and the other composed of representatives of the constituent governmental units. Unicameral variations of this approach have been embodied in some of the proposals advanced in the California and Michigan legislatures to strengthen the Association of Bay Area Governments and Detroit's COG. Another possibility is to appoint areawide governing body members during a start-up period and provide for subsequent popular election of the members.

In adhering basically to the elective principle here, the Commission emphasized that both the converted umbrella multijurisdictional organization and regional service corporation would have governmental authority of their own which could be independently exercised with respect to those areawide functions assigned to them. With this independent authority, then, there is every reason to elect an independent governing body. Candidates would be forced to run on regional policies and would seek reelection only within the context of their performance as regional statesmen. This is completely consistent with the basic maxim that governmental responsibility should be placed where governmental authority exists.

Regarding the three initiating options, the Commission was convinced that most of the drives for regional home rule would emanate from local governments and local electorates. Yet, with the exception of boundary changes in some states, state legislatures have always reserved to themselves the right to establish, dissolve, and consolidate units of local government. The Commission fully expected that this situation would continue, and recommended further than wherever state constitutions prohibit legislative or home rule efforts to merge counties, such prohibitions be removed. Direct action should be available to the legislature in every state as another fully legitimate means of achieving any of the reorganizations proposed in this subcomponent for areawide service organizations.

The final issue raised here concerns the kind of referendum which the state should require for approval of locally initiated regional home rule proposals. The basic alternatives are to call for simple concurrent majorities in each affected major jurisdiction, or a simple areawide majority of those voting in the whole area affected. A provision for concurrent majorities would give added protection to the separate electorates in the central city and the suburbs when a metropolitan reorganization is proposed, and in the individual counties when a non-metropolitan restructuring effort is mounted. It would allow jurisdictional as well as numerical factors to condition the outcome. This kind of referendum, it should be pointed out, frequently has proven to be a major obstacle to achieving areawide reorganizations. If the objective then is to accentuate the force of the overall regional vote, a simple majority of all those voting in the area affected should be stipulated.

To sum up, what is proposed in this regional reform component is state authorization of a number of approaches to areawide governmental reorganization. The intent is to open as many avenues as is reasonable for this type of reform action. No power play nor preferred restructuring proposal is implied here, but a major unshackling effort is clearly contemplated. Legal obstacles, after all, should not overcome the desire of a substate region's governments and/or its citizens to achieve their own areawide objectives. The range of options is necessary in light of the very diverse needs of the different substate areas and the rather slim record of actual areawide reform in recent years.

Enhancing Intergovernmental Cooperation through State ACIRs

In its 1962 study, *Governmental Structure, Organization, and Planning Metropolitan Areas,*[54] ACIR urged the states to enact legislation authorizing the establishment of metropolitan area study commissions for the purpose of developing proposals for revising and improving local government structure and services in metropolitan areas. In the final component of the Commission's 1974 proposed state policy on local and areawide government, the Commission refined this earlier recommendation by urging the creation, where lacking, of permanent state advisory commissions on intergovernmental relations, empowered to study problems and relationships of governmental structure, finances, and functional performance at the local, areawide and state levels, including the impact of Federal actions and assistance programs on these levels.

Ample evidence now exists to indicate that the states and their localities could and would make good use of a permanent, bipartisan instrumentality with multilevel representation to probe, ponder, and propose solutions to intergovernmental problems within and, in some instances, between the states. Implementation of this recommendation would provide the states, their political subdivisions, and citizens with an institutional mechanism most of them sorely need.

Several states now have units that perform some of the functions that a state ACIR would assume. Over four-fifths have a Federal-state coordinating unit. All states but one have commissions or other units on interstate cooperation, and all of them have some kind of department or office of community affairs. Yet, the absence of local representation on such bodies, their predominantly operational thrust, and/or their relatively narrow focus make most of these instrumentalities unsuitable for the broad-gauge research and recommending role contemplated here. At the same time, all of them are indicators of growing state awareness of interlevel relationships, and all are performing useful functions.

To meet the need for a broader and more balanced focus on state-local problems, at least 17 states since 1968 have created a broadly representative commission to study a number of pressing state-local and local governmental problems. While their reports generally have been dispassionate, wide ranging, and of immense assistance to the ACIR in its studies, these commissions have been temporary, and once they completed their studies their recommendations were left to others for explanation and attempted implementation.

This final recommendation, therefore, is geared to overcoming the various short-comings of these more limited approaches. It looks especially to the experience of the excellent Texas ACIR, and of similar intergovernmental mechanisms established in such states as Michigan, Arizona, Florida, Pennsylvania, Georgia and Massachusetts.[55] It underscores the need for such an instrumentality to be broadly representative, permanent, professional, non-partisan, mandated to do plenary research, free to recommend whatever it deems best, and free to persuade others of the validity of its recommendations.

- Representativeness can be achieved by providing statutorily for a balanced mix of members coming from all the basic governmental categories within a state. Whether special authorities, school districts, areawide bodies, minor political subdivisions, and Federal spokesmen are included are policy questions each state must decide in light of its own pattern of local government, its view of the Federal role, and its goals for the commission.

- Permanence can be achieved by assigning the commission an ongoing mandate, by providing a means of easily filling vacancies that might arise, and by stipulating no termination date in the enabling legislation.

- Professionalism can be assured by making adequate fiscal provision for regular staff, and by proper – but not inflexible – procedures for their selection based upon merit.

- Non-partisanship can be injected into the commission's operations by requiring an even or near even balancing of party representation in each of the governmental categories and by giving careful attention to the appointment process. Frequently, however, divisions within such bodies more often turn on jurisdictional and institutional considerations than on party concerns.

- A free and full study agenda for the commission can be assigned by adapting this report's topical listing in a specific provision of the enabling act. The special needs of a state and its subdivisions obviously must be considered. Yet, the full agenda cited here provides a good point of departure for those seeking to stipulate a fairly broad but pertinent program of commission study. Every basic division of state-local relations is covered.

- The power to recommend, of course, should be stipulated statutorily, but in a way that leaves ample room for information reports having no policy proposals. At the same time, the legislature might want to consider in specific terms those state and local policy-making bodies to whom commission recommendations might be directed. Whether Federal officials should be included – as the Texas statute does – is another issue to be dealt with in this context.

- Finally, a right to persuade can be achieved by authorizing the commission to print, publicize, and argue for its recommendations. Press conferences, speeches, lectures, hearing statements and testimony are among the legitimate activities that a commission should be in a position to pursue – if its power to persuade is to extend beyond the mere adoption of recommendations.

With these traits, a state ACIR can serve as a much needed neutral forum for state, local and areawide spokesmen. It can help fill the communications gap between these levels. It can produce a series of authoritative studies on topics of intergovernmental concern. It can help develop needed proposals that are politically viable. It also can serve as a focal point for implementation efforts.

In one sense, the states and localities have needed such an instrumentality for at least a generation. The states and their localities, after all, are linked fiscally, functionally, jurisdictionally, constitutionally, and politically. But these linkages, derived from the prime legal position accorded to the states by the U.S. Constitution, have produced as much conflict as collaboration.

At this point, the need to treat systematically the tension points in state-local relations is more urgent than ever before. The shifting pattern of servicing assignments, the greater discretion accorded to states and their localities by general revenue sharing and block grants, the stronger fiscal position of most states, the growing state initiatives in a number of current and controversial program areas, as well as the challenge that both state and local governments confront at the substate regional level, are but a few of the more recent developments that argue strongly for establishing state advisory commissions on intergovernmental relations. Finally, the national Commission's difficult assignment would be easier to discharge if counterpart commissions existed in all of the states.

A SUPPORTIVE FEDERAL ROLE

The Commission noted that actions of the Federal government directly affect local governmental institutions and the development of effective substate regional systems. Hence, the Commission recommended that the Executive Branch of the Federal government and the Congress adopt policies which accommodate state and local actions to reorganize governments at the substate regional and local levels. This involves recasting Federal aid programs and taking other steps.

Recasting Federal Aid Programs

The multiplication of special districts has in some instances been encouraged by Federal aid programs, particularly those concerned with public housing, urban renewal, soil conservation, reclamation, and irrigation. When these programs were first offered, they often encountered legal incapacity or indifference by established multipurpose governments. The most expeditious way to stimulate local action, it seemed then, was through newly created special district units. This development helps to account for the fact that metropolitan areas now include nearly 1,400 special districts concerned with natural resources and more than 700 involved in housing and urban development.

Some of the legal barriers to the conduct of these Federally aided activities through multipurpose governments have now been eliminated, and others will be as efforts to civilize the jungle of local government go forward. These changes mean that Federal agencies administering particular grant and loan programs can and should work increasingly with and through multipurpose governments, rather than with special districts. This policy has clear advantages from the standpoint of governmental simplicity, visibility, and functional coordination at the local level. The Commission recommended in 1964 that Congress and the executive agencies "remove from Federal aid programs for urban development all organizational limitations which require or promote special purpose units of local government to the disadvantage of general purpose units . . . Other factors being equal, general purpose units of government should be favored as Federal aid recipients. Special purpose recipients should be required to coordinate their aided activities with general purpose governments."[56]

Partly in response to this proposal, Congress enacted the *Intergovernmental Cooperation Act of 1968*, which, among other things, directs Federal agencies administering grant or loan programs open to both special and general purpose units of local government to accord preference to the general purpose ones "in the absence of substantial reasons to the contrary."

Other Possibilities

For a number of political, legal, and common sense reasons, the Commission concluded that it is inappropriate at this time for the Federal government to assume a lead role in efforts to achieve local governmental modernization and areawide reorganization. Yet, other reasons dictate that the Federal government cannot assume a hands-off policy in this matter. Too many existing Federal programs and policies affect the pattern of local government and of substate regional governance systems. Too many federally encouraged programs and too many Federal categorical, block grant, and revenue sharing dollars already are involved one way or another. Too many national purposes ultimately are involved to sanction such a *laissez faire* course.

The underlying thrust of this recommendation of a Federal supportive role is to put the Federal government into a positive accommodating posture with respect to state and local efforts geared to local and areawide governmental reform. Some of the possible approaches to fleshing out this Federal role include certain changes in administrative rules, specialized research, technical assistance, and a built-in awareness of institutional changes at the state, substate, regional, and local levels. All are modest. But they could begin the carving out of a Federal role in this vital intergovernmental area which is complementary, not in conflict, with state and local efforts.

For some time, *OMB Circular A-85* has been operative, with ACIR as its administrator. This circular provides an assured mechanism for state and local government review of draft Federal regulations having substantial intergovernmental implications. The procedure calls for state and local chief executives to suggest changes in the proposals to reflect the interests of elected officials. ACIR distributes the proposals among the general government interest groups for comment, and sets up meetings to resolve conflicts. The groups are the National Governors' Conference, Council of State Governments, National League of Cities, U.S. Conference of Mayors, National Association of Counties, and the International City Management Association. The National Association of Regional Councils also is notified when regional interests are involved.

In addition to normal A-85 administration and to the production of an A-85 annual report for the director of the Office of Management and Budget, the Commission staff actively participated with OMB, the Federal agencies, and the public interest groups representing state and local governments in a series of thorough reviews of the language and performance of *Circular A-85* during 1974.

Another plank in the agenda for accommodation would be clear-cut recognition in *OMB Circular A-95* ("Evaluation, Review and Coordination of Federal and Federally Assisted Programs and Projects") that categorical and block grants having a basic areawide thrust would rely exclusively for such purposes on a regional government where and when one emerges. Such a jurisdiction should encompass all, or most, of its substate district and be certified by the state to be a government with areawide powers. In deciding on this certification a state might consider whether the areawide unit exists as an organized legal entity, includes popularly elected officials, enjoys a high degree of fiscal and administrative independence, and is empowered to and does perform functions of a regional nature.

This state certification process is suggested in order to eliminate the possibility of a Federal instrumentality exercising significant discretion in such a sensitive subject area. Another reason for including it, of course, is to provide a means of resolving disputes between cities and reorganized counties over whether the latter are, in fact, regional governments.

Under this proposal, a regional government would assume the privileges conferred on the umbrella organizations (UMJOs) recommended by ACIR, once such a unit has been certified by its state. In the UMJO recommendation, it is to be recalled, a combination of Federal Executive Branch and Congressional actions were sanctioned which would complement state-local efforts to establish effective umbrella multijurisdictional organizations in state-established substate districts. These actions would confer on the UMJO the power to review and approve or disapprove grant applications covered by the A-95 process emanating from multijurisdictional special districts and to review and resolve inconsistencies between regional plans and proposed state agency and local government projects within the region when they are subject to A-95 review.

This proposal, then, would clarify the status of the regional body in light of the earlier substate districting recommendations. It would put the Federal government in a neutral position *vis-a-vis* instrumentalities that would perform the UMJO functions. It would leave the initiative wholly with state and local governments, but require Federal conformance when such initiatives are successful. No Federal effort to foster regional governments is contemplated then. But, if and when the Congress and the Federal Executive Branch move to assist states and localities in establishing UMJOs, these actions should not be so institutionally prescriptive as to exclude the regional governmental option, especially when this option already has been chosen by substate regional electorates. In the Commission's view, this would be a minimal accommodating move.

Another means of rounding out this Federal complementary role would be a supportive, technical assistance program for local governmental modernization. The Federal government has encouraged creation of and helped fund new operating authorities and districts, and, in some cases, it has helped finance reorganization studies requested by state and local governments. But it has not provided direct technical assistance to local government boundary commissions, state ACIRs, or metropolitan study commissions.

Federal agencies, such as the Bureau of the Census, the Office of Management and Budget (OMB), and the General Services Administration (GSA), have information, expertise, and responsibilities which could be of significant technical assistance to such commissions. These Federal agencies control demographic and governmental census data, the designation of SMSA boundaries, the designation of A-95 clearinghouse organizations, Federal aid program coordination procedures, Federal office space and facility planning, and other matters directly affecting state-local, local boundary, and metropolitan concerns. But, to date, there has been no easy way for a boundary commission or a state ACIR to obtain all the Federal assistance it should have. Nor has there been a well versed Federal government representative to work with them to save time and to explain relevant Federal resources. The program suggested here would provide a coordinated Federal technical assistance program to meet these objectives.

Still another possible plank in a Federal program of complementary action would be a joint effort on the part of pertinent Federal agencies, such as the Bureau of the Census, OMB, and GSA, and interested state and local bodies, such as their respective national associations, individual State ACIRs, and boundary commissions, to develop an operational definition of general purpose governments. Such definitions could then be used to facilitate implementation of state policies on local government viability and better target Federal aid programs designed to support units of general local government.

This proposal is in accord with this Commission's longstanding support of general purpose governments as the prime governmental actors in substate affairs. In numerous past reports, as well as in its substate regional study, the Commission has sought to broaden the functional responsibilities of local government, limit the use of independent special purpose units, and provide for greater local governmental control over special purpose and quasi-governmental bodies.

The Commission's stance in this matter has been endorsed in various Federal and state policies. Section 402 of the *Intergovernmental Cooperation Act* directs that preference be shown to general purpose units of government in the disbursement of Federal aid. Similarly, the Federal government's general revenue sharing program and some of the recently developed block grant programs do not authorize aid disbursements to special purpose units of government.

State governments also underscore the general purpose character of local government in different areas and in different ways. Some states do not permit establishment of special districts in certain functions — public safety being the prime example — thereby leaving these functional responsibilities to general purpose units. At least seven states have laws that consider the ability of a local government to provide a full range of public services as one of the prerequisites for incorporation. Seven states have state or local boundary commissions that have acted to curtail the incorporation of very small municipalities that often do not provide a full range of public services.

These Federal and state actions, then, are indicative of higher level concern for viable, general purpose local governments. The proposal suggested here stresses the importance of such governments. It confronts the urgent need to document the characteristics of truly general purpose local jurisdictions. As the nation moves toward more discretionary forms of intergovernmental fiscal transfers at both the Federal and state levels, the essential character of local units becomes an overriding question. Yet, for the most part, definitions that make much sense fiscally or functionally are lacking. Many supposedly general purpose jurisdictions, after all, are really limited purpose units.

Townships, particularly rural ones, are a case in point. Illinois townships in 1971, for example, spent 63 percent of all their monies for highways, while 54 percent of all Indiana township expenditures went for welfare purposes. Moreover, the small size of these types of local jurisdictions – over 60 percent of all townships were under 1,000 population in 1972 – make it highly unlikely that they can perform a full range of public services. Clearly, many, if not most, of these so-called general purpose bodies are actually limited purpose jurisdictions.

The presence of a large number of special districts provides one clue as to whether a general unit is basically multipurpose. Where a number of such districts operate independently within the jurisdiction of what presumably is a general government, questions can be raised concerning the unit's ostensibly multipurpose character. Moreover, even a cursory examination of a unit's revenue raising efforts from its own sources and pattern of expenditures can yield significant evidence as to whether it is a general or essentially limited purpose jurisdiction. The extent to which a unit depends on interlocal contracts and agreements for the rendering of services to its constituents is another indicator that could be considered.

Limited and special purpose governments are natural candidates for local government viability policies developed by local boundary commissions. Since they lack genuine general purpose character, they might also receive lower Federal funding priorities than other local governments that have broader functional responsibilities. This proposal for development of an operational definition of general purpose governments, then, is designed to develop fiscal and functional indices that adequately differentiate between limited purpose and non-viable units of local governments on the one hand, and multipurpose and viable local jurisdictions on the other. The results, in turn, might be applied to Federal assistance as well as state fiscal and servicing assignment policies.

A focusing of certain existing Federal intergovernmental efforts on state and local modernization efforts would provide still another way that a complementary Federal program could be developed. Numerous activities could be included in such a Federal venture. Among the more obvious would be the exchange program under the *Intergovernmental Personnel Act of 1970*; the discretionary research grant activities of HUD, HEW, and NSF – to cite only the more obvious of the Federal departments and agencies that have exhibited a keen interest in state-local reorganization and reassignment efforts; the work of advisory committees to the Bureau of the Census, especially its Governments Division; and the liaison and technical assistance functions of individual Federal Regional Councils. These and other Federal undertakings – too numerous and varied to describe – could provide valuable assistance to boundary commissions, state ACIRs, and other state-local bodies involved directly in monitoring, studying, and recommending changes in state-areawide-local relations and institutions.

In some instances, the basic problem here is a Federal unawareness that such commissions exist. In others, Federal fear of assisting bodies involved in policy proposing has been a factor – despite the record of HUD's Section 701 planning assistance program, the Presidential directive making state legislative committees and related bodies eligible for certain project grants, and examples of technical assistance to states and localities engaged in reorganization.

This recommendation for targeting Federal intergovernmental efforts on state and local modernization actions, in sum, would simply place boundary commissions, state ACIRs, and other comparable units in a preferred or at least recognized position in terms of certain Federal financial, technical, and personnel assistance programs. These programs already exist, already are involved directly in intergovernmental relations, and already affect one or another of the many facets of state-local modernization. Moreover, the commissions involved would all be duly established official bodies, in most instances with a broadly representative make-up and with a statutory mandate that would be fully protective of state-local concerns. The relationship between these bodies and the assisting Federal agencies, then, would be a cooperative one, based on mutual interests – with no possibility of Federal direction or dominance.

In short, the Commission believes that the Federal government should adopt policies that accommodate State and local actions to reorganize governments at the areawide and local levels. Such policies and implementing actions should be complementary, not controlling; supportive, not supplanting; and responsive to state-local undertakings, not reactive to Federal program pressures. The specifics advanced by the ACIR are merely suggestions. But they do point to ways and means for launching at at an early date a clear-cut Federal policy in this area. To get such an effort under way, however, will require full state and local support for it.

Local Modernization in Brief

To sum up ACIR's current implementation program in the non-fiscal area, the Commission is heavily involved in devising ways and means of bringing new substate regional strategies to the attention of appropriate Federal, state, and local decisionmakers. Admittedly some of the recommendations are controversial. They are, after all, reformist, not stand-pat, in their thrust. They look to the future, while building on the past. They raise tough political and jurisdictional questions, though the Commission's membership gives them political responsibility.

Above all, they are geared to confronting – not covering over – the existing and emerging functional, fiscal, and institutional quandary in most metropolitan and non-metropolitan areas. More and more, this is where much of the shape of future intergovernmental relations is being fashioned. Most of the major issues facing the system are there: centralization v. decentralization, generalists v. specialists, administrative accountability v. little popular control, fragmentation v. some fusion, program coherence v. program conflicts, and incrementalists v. advocates of dramatic change. These clearly are not inconsequential issues.

IMPROVING THE CAPABILITIES OF LOCAL GOVERNMENTS

.The capacity of local governments depends upon a great deal more than proper structure. This capacity is a complex mixture of high quality general management, adequate personnel, available capacity building programs, and intergovernmental help. These components are examined in this section.

General Management Issues

Even if the states and the Federal government were to adopt the entire set of ACIR recommendations for interim and long-term local government modernization, there would still be a problem in getting adequate public services because of the inadequate management and functional capability that unfortunately is the hallmark of most existing local governments today.

To some extent, the management problem stems from the types of Federal aid programs generally in use, which are not structured so as to develop local government management capacity. The continued use of categorical grants of the project type leaves a good deal of discretion with Federal agency middle management and invites a glut of administrative regulation in the programs involved. Nor do either formula based or the project type categorical grants involving detailed substantive review prior to expenditure and painstaking audits after expenditure give incentives for long-term accountability and improved management based on local initiatives.

Even block grants, with supposedly few strings attached, have not been immune to management restraints. Both the Partnership for Health and the Safe Streets programs, the only two with a long enough existence to evaluate, provide many examples of upper level program specialists, in effect, taking over. Thus, the supposition that block grant funds are "easier" for local governments to spend is not necessarily borne out in practice.

Moreover, the full effects of decentralization and devolution still have not been felt in management. Decentralization has some attractive features as far as more effective management is concerned. Properly understood, decentralization is a geographic and administrative concept applied to a single administrative system – assigning more program authority from Washington to field offices, developing substate regional areas and units for delivering state services. But decentralization does not involve any grant of power to other governmental units, and from their vantage point, decentralization may seem to be only a subtle move to enhance the administrative strength of the higher governmental jurisdiction rather than a move toward increased local management responsibility.

Devolution, on the other hand, is a political concept involving the power relationships among different levels of government. It involves delegating power or authority by a central government to lower-level governing units. It is the concept reflected in block grant programs, general revenue sharing, state general support programs, and home rule undertakings. Depending on the programs in question, both decentralization and devolution are essential management approaches to coping with differing facets of the assignment of functions question.

Effective decentralization cannot be achieved unless the administrative system concerned has the power to mandate. At the Federal level, intradepartmental fragmentation and fractious disputes among agencies are common failures of administrative systems, preventing the transfer of major program authority to regional offices. Often buttressing of the Secretary's role has been necessary to achieve real progress. Governors and mayors also face comparable administrative resistance in attempts to decentralize their service delivery systems.

Devolution also poses problems. How can power be devolved in what is essentially (in Elazar's phrase) a non-centralized system? Some devolution occurs when the number of administrative and other strings are cut in intergovernmental fiscal transfers, and when the scope of an assisted program area is broadened. In this way, a range of choices can be conferred, recipient discretion expanded, and the decision making power of lower level governments revitalized.

But the real problem is to devolve power to elected officials, representative of the people, and their generalist allies. This is possible only when the political and governmental systems of the recipient lower level jurisdictions have been reformed so as to place those decisionmakers in an authoritative position. Management, that is, can only be improved when elected officials in lower level governments have been rendered powerful by successful reform efforts.

Effective management in any case involves more than merely the planning, organizing, and delivering of services within a single administrative system. In an increasing number of program areas, the system is the entire Federal structure. This interjurisdictional nature of program administration produces its own set of management difficulties. The existence of separate political, personnel, and bureaucratic systems gives contemporary intergovernmental administration its distinctive, nonhierarchic, non-systemic subordinate character. More is required for effective overall management than the development of a series of disciplined service endeavors within each separate jurisdiction.

Local governmental fragmentation, of course, has been a major contributing factor to the ineffective management of service deliveries. With the many servicing spillovers in urban areas and with the increase in intergovernmental fiscal transfers, higher level intervention – a kind of centralization by itself – has been the frequent result, bringing with it additional possibilities for muddled management.

Management is further muddled by the assumption that all general governments are, in fact, general purpose governments. Legal classification and the Bureau of the Census use of such a catchall description serve to bind us to the belief. Yet, many supposedly general purpose jurisdictions are really limited purpose units in fact – somewhere between single purpose districts and full-fledged general units of government. As previously noted, definitions are needed that make fiscal, functional, and operational sense, especially in a period when the focus is on narrowing eligibility requirements, on emphasizing general purpose jurisdictions, and on reassigning service responsibilities or portions thereof. Whether a unit is a general or limited purpose unit in fact can be ascertained pretty well on the basis of the following factors:

- a jurisdiction's ability to raise revenue for its own sources;
- its pattern of expenditures;
- its degree of reliance on interlocal contracts;
- the presence of a large number of overlying independent special districts; and
- the range of its functions.

Without a better understanding of the limited purpose jurisdiction as a middle category of local governments, Federal and state assistance programs, especially of the general support and block grant types, as well as state policies on local governmental viability, run the risk of failure.

Finally, there is a strongly held political belief that the contemporary jurisdictional form of local government in America is sensible and satisfactory. The combination of Federal, state, and local actions that has produced today's patchwork pattern of assorted kinds of single purpose units at the substate regional and local levels to meet actual servicing problems, however, changes the belief into a myth. The failure to face frontally the gap between the jurisdictional area of most local general governments and the geographic reach of a growing number of governmental functions has major management implications. The umbrella multijurisdictional organization – UMJO – called for by ACIR, regional-local reorganization, and strong state intervention provide three alternatives for coping with this dilemma.

Personnel Issues

Local government personnel are not inferior to those at the state and national levels, but many of them are now expected to provide a variety of urban services which they have not provided before, and have not been trained to do. General revenue sharing, as well as the community development, manpower and law enforcement block grants, involve governments hitherto not a part of the servicing picture. For example, a large share of the manpower units are counties, whereas only the cities had previously been involved in most cases. The same generalization applies to some of the eligible counties and cities under the new community development program. In Illinois, for example, of the 35 communities receiving community development allocations, eight did not previously participate in the predecessor HUD categorical programs. Many were not even authorized to spend in such areas, so state authorization had to be sought at the outset. Even in the many cases where the authorization is there, such programs have not been pursued in the past, and the managerial and staff resources to perform them need to be developed largely from scratch.

Greater demands also are placed on local government by those new Federal aid programs because of the expanded discretion in the use of funds which is now placed at the local level. Thus, creative and effective use of these programs depends very largely upon the sophistication of managerial, planning, and delivery systems of local governments. These local capacities are variable and frequently lacking in many of the smaller units. For example, 80 percent of all counties in the nation have no recognized administrative head. Even in single county metropolitan areas, 45 percent have no such head. And the overwhelming majority of county employees still are under no form of merit system. Under such conditions, it is hard to imagine integrated management of interlocking Federal aid programs that allow broad areas of expenditure and significant local discretion.

Traditionally, local governments have employed the "spoils" system in their personnel practices, and they have been slow to move away from it. In 1966, ACIR went on record in favor of an act that would assure enough well trained, well qualified personnel to enable the states and localities to meet all their responsibilities in the Federal system.[57] The Federal government has helped prod them in that direction over recent years by increasingly insisting in statutes and regulations that as a condition of Federal grants-in-aid recipient local governments establish and maintain personnel standards on a merit basis in the service areas so supported. By the mid-seventies, merit systems requirements had been applied to the following major grant-in-aid programs: public assistance, including medical assistance and the related work incentive and food stamp programs; children's health and welfare services; the various grant-aided public health categories; and the aging, civil defense, employment security, and surplus property programs.[58] Specifically, the Federal standards state:

> The development of proper and efficient administration of the grant-in-aid programs is a mutual concern of the Federal, state, and local agencies cooperating in the programs. Proper and efficient administration requires clear definition of functions, employment of the most competent available personnel, and development of staff morale and individual efficiency . . . . Personnel programs must be planned and administered . . . to meet effectively program and merit system objectives.[59]

The *Intergovernmental Personnel Act of 1970* transferred to the U.S. Civil Service Commission the functions, powers, and duties relating to the prescription of merit personnel standards under the various statutes authorizing grants-in-aid.

The development of merit systems to cover these programs at the local levels was not only a considerable achievement in itself, but also worked to extend the merit system to other local service personnel. Although precise statistics as to the current extent of merit system coverage in the nation's units of local government are not available, it is far greater than it was a generation ago, and it is growing steadily. Today, as a result, the level of local service delivery is generally much more efficient and in more competent hands than it has ever been.

The passage of the *Intergovernmental Personnel Act of 1970* (IPA) involved the Federal government still further in state and local personnel practices. "The major purpose of the IPA is to strengthen the central management capability of state and local governments, which employ 10-million persons and whose payrolls reach nearly $6.5-billion per month."[60] Eighty percent of the funds granted for programs under the act go to the states according to population and number of state and local employees. The remaining 20 percent is available for discretionary project grants by the Civil Service Commission. States that set up a comprehensive and coordinated intergovernmental program for upgrading personnel administration and for training administrative, professional, and technical personnel at both state and local levels get full grants. General local governments, singly or in combination, with at least 50,000 total population, may apply directly for grants if the state has not made adequate provision for them. Grants for personnel administration and training in FY 1975 amounted to $15-million, $12.4-million in formula grants and $2.6-million in discretionary grants. The minimum state formula allocation in FY 1975 was $70,000; the maximum $1,187,000.

In the first years of the act's operation, the largest portion of the funds were assigned to local governments;

in FY 1975 grants to local governments accounted for 62 percent of total IPA grant outlays. The Federal government put up 75 percent of the cost of programs through July 1, 1975, when the Federal share was reduced to 50 percent. S.957 being considered by Congress in mid-1976 would extend the 75 percent Federal share through October 1, 1978.

The *Intergovernmental Personnel Act* also set up an Advisory Council on Intergovernmental Personnel Policy, composed of representatives of all levels of government, to develop coordinated personnel improvement policies and make recommendations for their adoption. The council, which is no longer in existence, recommended the abolition of all administratively established Federal personnel requirements imposed on state and local governments receiving Federal grants. In their place, it recommended the application of a single Federal requirement applying merit system principles to most state and local employees. The Civil Service Commission anticipates submitting this proposal for Congressional consideration in 1977.

In addition to IPA, other Federal laws have recently impacted, or sought to impact, state and local personnel:

- The *Equal Employment Opportunity Act of 1972* extended the provisions of the *Civil Rights Act of 1964* to state and local governments, thus extending to them its prohibitions against employment discrimination based on race, color, religion, sex, and national origin. The act gave the Equal Employment Opportunity Commission the power to seek court enforcement of its antidiscrimination decision in both public and private employment. Localities with more than 25 employees were immediately subject to the law and those with more than 15 came under the law's coverage in 1973. Elected officials, their personal staffs, and top policy-making appointees were exempted from the operation of the act.

- The *Emergency Employment Act of 1971* permitted thousands of state and local government agencies to participate in the public employment program under that act designed to provide employment to meet unfilled needs for public services.

- The *Comprehensive Employment and Training Act of 1973* provided additional impetus for modernizing state and local personnel systems by its requirements that participating jurisdictions eliminate barriers to the employment of the handicapped.

- The *Fair Labor Standards Act* (FLSA) was amended in 1974, to bring Federal, state, and local employees under the coverage of the Federal minimum wage law. Elected officials and their personal staffs were exempted from the law, as were certain bona fide executive, administrative, and professional personnel. All remaining public employees would be paid at least the minimum wage and be compensated for overtime work (special overtime provisions were made for firemen). The law eliminated the use of compensatory time off as a means of compensating employees for overtime work. However, almost immediately after the FLSA was so amended, several groups – the National League of Cities, the National Governors Conference, the State of Arizona, and several cities and city-county groups – brought suit in the U.S. Supreme Court to challenge the law. Eventually, at least 18 other states joined the suit. Chief Justice Warren Burger issued a temporary restraining order to prevent the Department of Labor from enforcing the regulations supporting the act promulgated by the Wage and Hour Division of the Department of Labor until the Court could rule on the suit. When the 5-4 decision was handed down on June 24, 1976, it declared the law unconstitutional.

In addition to those instances when the Federal government uses the power of its aid programs and other statutory means to mandate state and local personnel practices, there have been occasional examples of the unintended intrusion of Federal guidelines implementing Congressional action. Such an occurrence took place in 1974, when the U.S. Civil Service Commission noted that the *Hatch Act* applied to all state and local employees who were being paid in whole or in part for Federal general revenue sharing funds. This interpretation had been applied by the Office of Revenue Sharing in the Treasury Department, the agency which administers the general revenue sharing program. The ruling was subsequently rejected by the bipartisan leadership of the House Ways and Means and Senate Finance Committees in a statement issued in response to an ACIR inquiry. That response indicated that the Civil Service Commission was "without foundation in law and [in] direct contravention to the clearly expressed intent of Congress." The question was referred to the Office of Legal Counsel of the Justice Department, which ruled that the *Hatch Act* did not apply to general revenue sharing funds.

The passage of the *Pension Reform Act of 1974*, while it regulates only private pension plans, suggests another possible direction of Federal action affecting state and local employees. Evidence indicates that some public employers have been lax in establishing and managing pension funds for their employees, while others have been overgenerous. While it is too early to predict its final form, some Congressional action is considered likely. ACIR has called on the states to institute strict regulation of locally administered pension systems or to consolidate all local systems in one state-administered plan.

This recital of recent action by the Federal government suggests that as state and local work forces have grown – both in absolute terms and as percentages of the total work force – and in the absence of consistent state action, the Federal government is moving to apply uniform personnel practices throughout the public sector work force. Inevitably, such Federal action raises major intergovernmental issues. One view contends that Federal involvement is not appropriate since it "usurps local prerogatives . . . dictates use of tax revenues raised by state and local government[s], and . . . violates the intergovernmental partnership."[61] Another view sees Federal action as necessary, since "only 14 states have come up with labor relations laws [for public employees] that can even be described as fair. None of them gives public employees parity with their counterparts in private industry. . . .Thirteen states have no laws at all. No one pattern prevails among the 50 states and 80,000 governmental units, save one: that public employees are nowhere the equals of workers in private industry."[62]

ACIR recommended comprehensive state public labor-management relations laws in a 1969 report, *Labor Management Policies for State and Local Government.*[63] The Commission preferred "meet and confer" procedures to "collective negotiations" and called for prohibition of strikes by public employees. But lacking such comprehensive state laws for the most part, and in response to demands by public employees for the right to organize and bargain collectively, support for a Federal law governing public sector labor relations has been developing. Legislation was introduced to extend the provisions of the *National Labor Relations Act* to state and local employees. The establishment of a National Public Employment Relations Commission, parallel to the National Labor Relations Board, was proposed as an alternative possibility in the 94th Congress. Both bills were pending in mid-1976.

In early 1975, a staff member of the Council of State Government's Washington Office predicted that "A national collective bargaining law for state and local employees could be passed by Congress within the next two years."[64] Although ten states already had full-fledged collective bargaining laws for public employees, other states only regulated some aspects of collective bargaining, and 14 states had no collective bargaining laws at all. Proposed Federal legislation would affect all states. The author went on to note that "While there is strong union and worker support for Federal law, states with and without collective bargaining laws generally oppose it. The National Governors' Conference recently passed a resolution opposing Federal action and said collective bargaining for state and local government employees should be left to the discretion of the states."[65] Now it appears that the recent FLSA decision by the Supreme Court may preclude such Federal legislation.

Capacity Building Programs for Local Governments

By and large the history of state and Federal technical assistance to local governments in urban areas is dismal. But recently there have been some bright spots. Some help for local governments in improving management has been forthcoming from the Federal government.

Local government officials in more than 60 communities in nine states are participating in a $2.5-million Federally assisted program designed to help state and local governments make better use of new authority and resources available to them. The U.S. Department of Housing and Urban Development is contributing nearly $1.9-million to the overall cost of eight separate projects under its new Capacity Building Demonstration Program, aimed at finding and testing management tools and techniques. The principal participating cities are: Dayton and Cincinnati, Ohio; Boston, Massachusetts; Houston, Texas; Prichard, Alabama; Petersburg, Virginia; and about 50 cities in Texas, California, Tennessee and South Carolina selected by the state organizations involved. The program is designed to produce relevant and usable management tools which can be adapted by many communities. Among the products anticipated are management information systems, program budgeting procedures, citizen participation techniques, and strategies for community development programs.

According to Michael H. Moskow, then HUD assistant secretary, "These cities have been selected after intensive national competition in which over 100 different state and local governments, planning units and other organizations submitted over 70 proposals. The quality and variety of these proposals have confirmed the tenet of new federalism that there is a wealth of talent and energy at the state and local level for dealing with pressing urban problems."

Winning proposals provide for involving elected officials in defining the problems they wish to address, as well as a direct linkage of the capacity-building project with the community decision-making process.[66]

The Urban Information System Interagency Committee, a consortium of ten Federal departments and agencies, chaired by a representative from HUD, is developing a prototype program – IMIS, Integrated Municipal Information Systems[67] to harness computer power to help local governments tackle their problems. Charlotte, North Carolina, and Wichita Falls, Texas, were the original experimental cities in IMIS.

The urban observatory program begun in 1969, in which Federal funds have provided a link between nearby university urban experts and local governments, has also helped. Funded by the departments of Housing and Urban Development and Health, Education and Welfare, and administered by the National League of Cities, the program has developed projects in a few select urban areas for purposes of promoting applied governmental research, data gathering, and development of regular measuring and reporting on significant "quality of life indicators" in those areas. But this is still a very small scale demonstration program.

The urban observatory program, of course, is a second cousin to some of the long established state university related technical assistance programs which date back several decades. The Institute of Government at the University of North Carolina is a well known example of this very worthwhile continuing type of effort which provides training, research, and consulting services to state and local governments. Most of the states now have some such university related program, and some of them are exhibiting exciting new capabilities. Among the most promising is the trend toward much more use of interdisciplinary problem solving teams which can bring to bear the high technology capabilities needed nowadays, along with the more traditional political science and management disciplines. The smaller local governments, especially, often could not afford such expertise from any other source. Included among the most exciting new university extension services for public service are PENNTAP at the Pennsylvania State University, the Institute for Public Service at the University of Tennessee, and the new program at Oklahoma State University.

Another bright spot in local capacity building has been the IPA program administered by the U.S. Civil Service Commission under the *Intergovernmental Personnel Act of 1970*. As mentioned above, this program provides training funds, intergovernmental personnel exchanges to enrich the experiences of employees, short term loans of Federal personnel to local governments to fill special needs for expertise, and assistance for strengthening the merit systems of state and local governments. While it has not reached its optimum size and effectiveness yet, this program is nevertheless a significant step toward preparing local governments to take on greater urban problem solving themselves.

HUD has made a training effort, too. Its community development training program (providing grants for in-service training) was funded for several years, but – regrettably – is now being phased out because of its small size. Although HUD's urban fellowship program was never funded, the Department has used some of its planning money in a limited effort to bring minority students into urban planning and management careers.

HUD is also embarked on an 18-month demonstration project involving one state, three statewide municipal leagues, and six major cities in a project designed actually to improve in-house capacities for grants management in a handful of cities. Presumably, what is learned in this demonstration will be added to what has been learned in such earlier efforts as the model cities' chief executive review and comment (CERC) process,[68] and then it will all be incorporated into the community development block grant guidelines and utilized in some larger Federal effort.

Federal funding (from HUD, HEW, Labor and LEAA) is also going into a number of special local government capacity building projects through the National League of Cities, the U.S. Conference of Mayors, and the National Association of Counties. These relatively small efforts have studied the needs of local governments in meeting the new planning, programming, and management challenges of the block grant programs. Even so, these *ad hoc* efforts are hardly a full answer to the mammoth needs uncovered.

Finally, the National Commission on Productivity and Work Quality has a Public Sector Committee chaired by Governor Daniel Evans of Washington. That commission already has put out several popular as well as technical booklets addressed to the need for increasing productivity in the public sector, and it is continuing to identify increasingly specific actions which may be taken toward this end.[69] The Committee for Economic Development (CED) has formed a Subcommittee on

Improving Productivity in Government and recently released a popularized but very thoughtful booklet on this subject.[70]

The states, at this point, are also beginning to emerge with a somewhat more important role in local capacity building.

- Texas has developed a housing condition survey technique which makes it practical for local governments to do high quality surveys themselves without a great deal of resident expertise.

- Texas has also developed a "performance evaluation program" (PEP) which allows its councils of governments to assess and improve their capabilities annually.

- Several states – like Georgia, Oregon, Utah and North Carolina – have devised procedures by which local governments and regional bodies can participate in preparation of state plans, the state budget, or the allocation of local assistance funds on a more realistic basis related to actual needs.

- The states with departments or agencies of community affairs have gotten together to form the Council of State Community Affairs Agencies (COSCA). This fledgling organization has a prime interest in local capacity building.

- Many states continue, as they have for years, to provide local and regional planning assistance. This ranges from passing on Federal planning grants to actually placing resident planners (as Maryland does) in areas where they are needed. Increasingly, as the Federal planning grants from HUD have become more management oriented, so have the state planning assistance programs. Some states have even been able to orchestrate HUD planning funds, IPA funds from Civil Service, and HUD training funds into a combined effort to upgrade local government capabilities.

- Several states now provide "wide area telecommunications systems" (WATS) to the governments within their borders so they can make long-distance phone calls inexpensively for help from state agencies.

- Of special interest to the smaller urban areas are such programs as Kentucky's "circuit rider" city managers. This program provides free management services by a state employee who spends a day or two per week in each city he serves.

Note should also be made of what some of the regional councils around the country have been doing. Like the states, they too have provided circuit riding city managers and planners in some cases. Some of them also (1) help their localities to apply for Federal funds; (2) supply training programs; (3) provide routine local services such as joint purchasing; (4) carry out a few areawide oeprating programs like solid waste disposal; and (5) take on some major responsibilities for economic development. Thus, they have become another resource for local capacity building, a resource that is also largely underutilized at the present time.

This hit or miss recitation of state and regional capacity building activities shows the potentials which exist, but looking at the situation nationally, it remains mostly just that – potential. Most states are not doing most of these things, and the states that are not adequately meeting the needs placed before them. The regional councils have been at the task only a very short time. Both the states and the councils need more resources, more ideas, greater support from their own governors and legislatures, and more national leadership.

Though much is going on in the effort to gear up local governments for handling greater discretion in and responsibility for solving the nation's urban problems, the effort to date has been very uneven and not tied together.

INTERGOVERNMENTAL HELP FOR URBAN AMERICA

What is needed to help the nation's urban governments solve the problems of urban America is much more help than they have been getting in the past from the state and Federal levels, some of it in money but much in other forms.

First, as already stressed in this report, there needs to be a strong state role in reorganizing these urban governmental units, in systematically reassigning functions among them, and in fully empowering them to do the job that is expected of them. This is the top priority, and one on which the states should be pushed very hard to produce.

Second, there needs to be a consistent Federal policy on local government structures for recipients of Federal aid. Washington still has no real understanding of the immense variations in urban governments between and among the 50 states, not to mention those in the 39 interstate metropolitan areas. This policy should supplement and support the state efforts recommended above. These efforts and this policy are spelled out in detail in ACIR's substate regionalism reports.

Third, there needs to be a major new Federal commitment to urban research and urban government capacity building. This research has been fragmented and poorly funded, with the result that the techniques used to measure cost effectiveness and productivity, urban management "savvy," the computer models in use, knowledge of citizen participation generally, and so on, often are not very effective. Even what knowledge has been collected has not been effectively disseminated. This means that resources are being wasted and solutions that could be devised now are being put off until later.

Efforts along these lines, linked with policies more directly focusing state and Federal aid on urban problems, will go far toward making local government a full partner in the federal system. State aid policies as noted in *Chapter II* have been geared traditionally to statewide needs rather than to the special critical needs of urban areas. Now the same trend can be seen at the Federal level, where most of the new block grant and revenue sharing programs were not designed specially for urban areas. These state and Federal programs, therefore, do not add up to a firm commitment to urban America where most of the nation's population lives. The state and Federal governments have not joined fully with urban governments in sharing this responsibility.

It is becoming increasingly apparent that the ability of our federal system to respond effectively to the needs of all citizens depends upon the strength and capabilities of Federal, state, and local governments. . . . The ability to plan and manage at all these levels is vital to effective government, and will become even more critical to state and local governments to the extent that they may be freed from the restraints of narrow categorical Federal programs and must assume added responsibilities for the use of broader forms of Federal assistance.

FOOTNOTES

[1] U.S. Commission on Population Growth and the American Future, *Population and the American Future* (Washington, D.C.: U.S. Government Printing Office, 1972), p. 25.

[2] *Ibid.*, pp. 59-61.

[3] Defined as including Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont.

[4] Defined as including Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia.

[5] The Geography Division of the U.S. Bureau of the Census has conducted annual surveys of municipal annexations and other boundary and state changes affecting incorporated places of more than 2,500 population since 1970.

[6] Richard L. Forstall, "Annexation and Corporate Changes since the 1970 Census . . . ." *The Municipal Year Book 1974* (Washington, D.C.: International City Management Association, 1974), p. 21. The entire article (pp. 21-29) is the best recent survey of annexation available.

[7] Commission on Population Growth and the American Future, *op. cit.*, pp. 36-37.

[8] See Table 697, U.S. Department of Commerce, Bureau of the Census, *Statistical Abstract of the United States 1974*, p. 434, for the numbers of all local elected officials in the United States.

[9] Advisory Commission on Intergovernmental Relations, *Factors Affecting Voter Reactions to Governmental Reorganization in Metropolitan Areas* (M-15), (Washington, D.C.: U.S. Government Printing Office, May 1962). p. 23.

[10] *Governmental Structure, Organization, and Planning in Metropolitan Areas* (A-5), (July 1961); *State Constitutional and Statutory Restrictions on Local Government Debt* (A-10), (September 1961); *Alternative Approaches to Governmental Reorganization in Metropolitan Areas* (A-11), (June 1962); *State Constitutional and Statutory Restrictions Upon the Structural, Functional, and Personnel Powers of Local Government* (A-12), (October 1962); *Impact of Federal Urban Development Programs on Local Government Organization and Planning* (A-20), (January 1964); *Metropolitan Social and Economic Disparities: Implications for Intergovernmental Relations in Central Cities and Suburbs* (A-25), (January 1965); *Fiscal Balance in the American Federal System* (A-31), (October 1967). Five information reports, issued during the same period, provided further background information: *Factors Affecting Voter Reactions to Governmental Reorganization in Metropolitan Areas* (M-15), (May 1962), out of print, but summary available; *Performance of Urban Functions: Local and Areawide* (M-21), (September 1963); *A Handbook for Interlocal Agreements and Contracts* (M-29), (March 1967); *Metropolitan Councils of Governments* (M-32), (August 1966); *Urban America and the Federal System* (M-47), (October 1969). All of the above reports are ACIR (Washington, D.C.: U.S. Government Printing Office).

[11] Two of the early Commission recommendations – for state authorization of regional councils of local officials and for empowering the governor to resolve interlocal disputes – are not included in this list.

[12] See *Chapter II* for discussion of further recommendation for removing unrealistic local tax and debt limitations and for recommendations on remodeling the property tax.

[13] Advisory Commission on Intergovernmental Relations, *Governmental Structure, Organization and Planning in Metropolitan Areas* (A-5), (Washington, D.C.: U.S. Government Printing Office, July 1961), p. 35.

[14] *Ibid.*, p. 37.

[15] *Report on National Growth 1972*, p. 36.

[16] ACIR, *Governmental Structure*, p. 20.

[17] Advisory Commission on Intergovernmental Relations, *Fiscal Balance in the American Federal System*, Vol. II (A-31), (Washington, D.C.: U.S. Government Printing Office, October 1967), p. 25.

[18] *Ibid.*, p. 23. As of 1976, such a system had not been created.

[19] *Ibid.*, Vol. II, pp. 22-23. In response to this recommendation, IRS reports that in its *Statistics of Income* reports for individual income tax returns, it includes annually income and tax data for the nation and states. In addition, since 1959, it has been providing biennially in odd-numbered years a series of statistics classified by the 125 largest Standard Metropolitan Statistical Areas (SMSA) in the nation. The most recent information classified by SMSA may be found in the report, *Statistics of Income – 1971, Individual Income Tax Returns*. The most recent information by state is in the 1972 report.

IRS also prepared for 1966 and 1969 a report on individual income and tax classified by postal ZIP code areas which were summarized on the basis of the first three digits and all five digits of the ZIP code. The statistics were classified by ZIP codes because this was the only available means for tabulating data by smaller classifications than SMSAs. However, starting with the 1972 tax return, in recognition of the requirements of the revenue sharing program, taxpayers were asked to report their county of residence. The present plan, therefore, is to make use of this county information and to present the same type of data previously shown for ZIP code areas, but classified by counties. The first report featuring county data will be for tax year 1972 and was scheduled for release toward the end of 1975. The plan is to present both SMSA and county data in the same publication every two years.

[20] An UMJO would work largely through and with existing local governments. Hence, the fewer and more capable these units are, the easier it will be for the umbrella unit, and the fewer coordinative problems it will face.

[21] ACIR, *The Challenge of Local Governments Reorganization* (A-44), (Washington, D.C.: U.S. Government Printing Office, February 1974), p. 151.

[22] ACIR, *Urban America and the Federal System*, pp. 84-85.

[23] For discussion of (d) see *Chapter III*.

[24] Combines, parallels and slightly modifies separate recommendations adopted in Commission reports, *Governmental Structure, Organization and Planning in Metropolitan Areas* (Washington, D.C.: U.S. Government Printing Office, 1961), p. 21; and *Alternative Approaches to Governmental Reorganization in Metropolitan Areas* (Washington, D.C.: U.S. Government Printing Office, 1962), p. 64.

[25] *Governmental Structure, Organization and Planning in Metropolitan Areas* (A-5), (Washington, D.C.: U.S. Government Printing Office, July 1961).

[26] ACIR, *The Problem of Special Districts . . . . , p. 75.*

[27] *Ibid.*, p. 77.

[28] *Ibid.*, p. 90. For implementing legislation, see *ACIR State Legislative Program*, 1975 Bill No. 2.101.

[29] *Ibid.*, p. 84; for implementing legislation see *ACIR State Legislative Program*, 1975 Bill No. 2.207.

[30] Advisory Commission on Intergovernmental Relations, *Metropolitan Social and Economic Disparities: Implication for Intergovernmental Relations in Central Cities and Suburbs* (A-25), (Washington, D.C.: U.S. Government Printing Office, January 1965), p. 123.

[31] ACIR, *Fiscal Balance*, Vol. II, p. 14.

[32] See p. xx, *supra* in this chapter.

[33] ACIR, *The Problem of Special Districts*, p. 80.

[34] *Ibid.*

[35] ACIR, *Fiscal Balance in the American Federal System*, Vol. II, p. 14.

[36] These extensions are based on findings in Chapters IV and VII, Volume III, of the Commission's substate regionalism study.

[37] See Volume I of the Commission's substate regionalism study.

[38] ACIR, *State Constitutional and Statutory Restrictions upon the Structural, Functional, and Personnel Powers of Local Government* (A-12), (October 1962), pp. 72, 74. For implementing legislation see *ACIR State Legislative Program*, 1975, Bill No. 2.201.

[39] *Ibid.*, pp. 69-71. For implementing legislation, see *ACIR State Legislative Program*, 1975, Bills No. 2.202 and 2.203.

[40] *Ibid.*, pp. 75-76.

[41] ACIR, *Governmental Structure, Organization, and Planning in Metropolitan Areas*, p. 32. For implementing legislation, see *ACIR State Legislative Program*, 1975, Bill No. 2.306.

[42] ACIR, *Urban America and the Federal System* (Washington, D.C.: U.S. Government Printing Office, 1969), p. 95.

[43] See *Chapter III* of this study for a fuller discussion of functional assignment.

[44] ACIR, *State Constitutional and Statutory Restriction Upon the Structural, Functional, and Personnel Powers of Local Governments* (Washington, D.C.: U.S. Government Printing Office, 1962), pp. 67-68; and ACIR, *The Problem of Special Districts in American Government*, pp. 82-83.

[45] ACIR, *State Constitutional and Statutory Restrictions Upon Structural, Functional, and Personnel Powers of Local Governments*, and ACIR, *The Problem of Special Districts in American Government.*

[46] ACIR, *Governmental Structure, Organization and Planning in Metropolitan Areas*, p. 30.

[47] ACIR, *Governmental Functions and Processes: Local and Areawide* (Washington, D.C.: U.S. Government Printing Office, February 1974).

[48] For additional discussion of land area regulation, see *Chapter V* of this study.

[49] See ACIR, *State-Local Relations in the Criminal Justice System* (A-38), (Washington, D.C.: U.S. Government Printing Office, 1971), pp. 17-18.

[50] See Chapter III of Volume III of the Commission's substate regionalism study.

[51] ACIR, *Alternative Approaches to Governmental Reorganization in Metropolitan Areas* (A-11), (Washington, D.C.: U.S. Government Printing Office, 1962), p. 83.

[52] In time, the Atlanta Regional Council may well prove to be a Georgia counterpart to the Twin Cities Metropolitan Council.

[53] If the Twin Cities Metropolitan Council is made elective, as is proposed, then a complete case study of the converted umbrella organization will be provided.

[54] ACIR, *Governmental Structure, Organization, and Planning in Metropolitan Areas*, p. 41.

[55] ACIR, "State ACIRs," Information Bulletin No. 76-2, June 1976.

[56] ACIR, *Impact of Federal Urban Development Programs on Local Governmental Organization and Planning* (Washington, D.C.: U.S. Government Printing Office, May 1964), p. 23.

[57] This was an early version of the *Intergovernmental Personnel Act of 1970.*

[58] To some extent, the 1962 report of the Municipal Manpower Commission (*Governmental Manpower for Tomorrow's Cities. A Report of the Municipal Manpower Commission* (New York, McGraw-Hill 1962), (especially Chapter 3) was responsible for highlighting the problem and producing Federal action. See U.S. Civil Service Commission, *Directory of State*

Merit Systems (Washington, D.C.: U.S. Government Printing Office, 1972), for a list of the Federal programs from 1940 through 1972 requiring state and local merit practices.

[59] Quoted in *Ibid.*, p. 14. (Standards for a Merit System of Personnel Administration, a joint issue by The Departments of Health, Education, and Welfare, Labor, and Defense.)

[60] U.S. Civil Service Commission, "Strengthening the System." *1973 Annual Report* (Washington, D.C.: U.S. Government Printing Office, 1973), p. 48.

[61] Robert Craig, of the National Association of Counties, quoted in ACIR, *Federalism in 1974: The Tension of Independence* (Washington, D.C.: U.S. Government Printing Office, February 1975), p. 13.

[62] Jerry Wurf, of the American Federation of State, County and Municipal Employees, AFL-CIO, quoted in *Ibid.*

[63] ACIR, *Labor Management Policies for State and Local Government* (Washington, D.C.: U.S. Government Printing Office, 1969). For suggested legislation to supplement this recommendation, see *ACIR State Legislative Program*, 1975, Bill No. 4.204.

[64] Pat Allen, "Dateline D.C. Federal collective bargaining law is likely," *State Government News*, March 1975, p. 12.

[65] *Ibid.*

[66] *National Civic Review*, September, 1974, pp. 428-429.

[67] See *New Brainpower for Urban Problem-Solving*, U.S. Department of Housing and Urban Development, Office of Policy Development and Research, n.d. See also *Congressional Record* 120: S3808-0 (March 19, 1974).

[68] See Victor A. Capoccia, "Chief Executive Review and Comment: A Preview of New Federalism in Rochester, New York," *Public Administrative Review*, September-October, 1974, pp. 462-70.

[69] *The Challenge of Productivity Diversity: Improving Local Government Productivity, Management and Evaluation* (Washington, D.C.: U.S. Government Printing Office, 1972) four Vols.

[70] *Improving Productivity in State and Local Government* (New York, 1976).

Chapter V

Solving the Problems of Metropolitan Areas

The most dramatic population movement in American history is not the great westward flow of population but the more recent concentration of population in a few metropolitan areas. This concentration has been duly noted over the years in Census reports and in a burgeoning literature on metropolitanization. Those notations need not be repeated here. It is only necessary to observe that, in 1790, 95 percent of the American people were rural residents and 85 percent lived on farms. Of the 5 percent classified as urban, only half lived in communities of over 10,000. During the 19th century, a steady shift toward more concentrated settlement occurred, and the balance tipped in the second decade of the 20th century – the 1920 Census was the first to show an urban majority. By 1970, 74 percent of the nation's citizenry lived in urban places (defined as a community of over 2,500 people), and 58 percent lived in urbanized areas of 50,000 or more.

Quite clearly the metropolis is now the dominant pattern of urban growth, and nearly every projection as to future growth shows that the vast majority of it will take place in the urbanized areas. By 1985, it is reckoned that approximately seven out of every ten Americans will live in an urbanized area. By the year 2000, this is slated to be even greater.

As in the past, most future growth is expected to occur in expanding suburban areas around major cities. Within metropolitan areas, reflecting the American preference for the detached single family home on its own plot of ground, urban population growth has always been concentrated on the fringe of urbanized areas. That is where most of the vacant land suitable for industrial development and for building new houses is located.

Historically, cities were able to include new growth by extending their boundaries to bring in newly developed fringe areas. In this way, they were continually able to expand both their population and their tax bases. Beginning in the 1920s, this situation changed. Developments outside central cities were incorporated as independent municipalities in their own right, thereby severely limiting the possibilities of being annexed to the primary central city. It is this factor that slowed down or even halted population growth in most central cities.

In many parts of the nation, metropolitan areas are growing together as their suburbs expand. Most major development is occurring along the transportation corridors that connect the larger cities. Megalopolitan areas, gigantic urban regions stretching over hundreds of miles, already are well formed. Three such complexes stand out now: one stretching up the Atlantic Coast from Northern Virginia to Boston, another centering around Chicago and the Great Lakes, and a third on the West Coast connecting San Francisco and San Diego. By the year 2000, projections are that the first two regions will have merged into "one vast rectangular or T-shaped urban region, with its corners at Waterville, Me., in the Northeast; Norfolk, Va., in the South; and Chicago and Indianapolis in the West," and that the third will cover "most of California from Sacramento to the Mexican border." In addition, there may be as many as 25 more such regions, each with a population of more than a million, including "one Florida city that [will extend] from Jacksonville to Miami and across the peninsula to Tampa." Those urban regions "will be the flourishing one-sixth of the country; the other five-sixths, embracing 15 percent of the population, will be stagnant or in decline."[1]

Every level of government will feel the pressures generated by this emerging pattern of growth. Public programs and activities will inevitably have a strong influence on the course of future urban living, and on whether and how the current pattern will continue. In turn, the scale and pace of changes under way – not to mention any efforts to redirect these changes – will place added stress on traditional governmental structures, functions, and relationships.

The problems of governmental finance in metropolitan areas have been considered in *Chapter II* of this report, and the problem of adapting governmental structures to a metropolitan society have been taken up in the preceding two chapters. Here the physical development of cities and suburbs is probed, and Commission recommendations relevant to promoting more orderly and humane future growth are considered.

It is here, when considering growth, that the complex of contemporary intergovernmental challenges of metropolitan areas is brought into sharp focus: the ill effects of fiscal and political fragmentation; the wasteful, wandering, and unwise pattern of land use and urban development; the faltering role of most states in controlling that pattern of growth; the comparative weakness of general purpose governments and their policymakers as against the strength of special districts, interests, and programs; and the unbalanced and balkanized fiscal conditions of urban jurisdictions. These and a host of related difficulties – including racial strife and rural decline – must be faced as all governmental levels seek to assure a more productive, more peaceful and more pleasing urban condition now and in the decades ahead.

SOME DYNAMICS OF URBAN DEVELOPMENT

Migration from the Farms

Metropolitan development began with rural migration into central cities. In 1920 (the earliest year for which there is reliable data), the farm population of the United States stood at 32-million persons, 59 percent of the total rural population and 30 percent of the total national population. By 1950, rural farm population had declined to 23-million. For the first time, there were more rural residents living off farms than on them.

The years since 1950 have seen a continuation of the movement off the farm. In 1970, less than 10-million people lived on farms. This left farm residents accounting for only 18 percent of the rural population and only 5 percent of the total population.

This, of course, reflects declining employment opportunities in agriculture, which in turn reflects the revolution in farming methods which has taken place since the mid-1930s. That revolution has been responsible for substantial productivity gains; indeed, estimates prepared by the Bureau of Labor Statistics show that postwar productivity gains in agriculture have outstripped those in every other segment of the American economy. Between 1947 and 1970, output per man-hour on the typical American farm increased by an average of 5.9 percent per year (see *Table XXIII*). In manufacturing, productivity increased by an average of less than 3 percent per year, and in the rest of the non-agricultural economy by only 2.4 percent per year.

As a result of these rapid increases in productivity,

Table XXIII

CHANGES IN AVERAGE AMOUNT OF LABOR REQUIRED TO PRODUCE THREE BASIC CROPS

	Corn for Grain	Wheat	Cotton
Man-Hours Per Unit[1]:			
1800	344	373	601
1935-39	108	67	209
1965-69	7	11	30
Average Annual Percentage Increase in Labor Productivity			
1800-1937	0.8	1.3	0.8
1937-1967	9.1	6.0	6.4

[1] Per 100 bushel for corn and wheat; per bale for cotton.

SOURCE: Department of Agriculture, Economic Research Service.

and of the accompanying decline in demand for farm products – as American eating habits changed from the idea of three square meals a day to a diet-conscious society – less labor has been needed on the farm every year (see *Table XXIV*).

Migration from rural to urban areas has resulted also from declining employment in such rural non-agricultural industries as mining, fishing, and forestry. The force behind declines in these industries is the same as that affecting agriculture: increased productivity as the result of *mechanization* and other technical as well as scientific advances. The decline of employment opportunities in non-agricultural industries has not been as significant in producing migration to the cities as the decline in farm employment itself has been – between 1930 and 1970, employment in mining, for example, declined by 387,000 as compared to a decline of 6.9-million in agriculture – but combined with the decline in farm employment, it has virtually dictated heavy out-migration.

Suburban Development

By the time really heavy in-migration from rural areas began to swell metropolitan areas, widespread automobile ownership had become common, permitting workers to live some distance from their jobs. As a result, suburbia began to grow faster than central cities.

Table XXIV

NET MIGRATION FROM FARMS, 1925-69

Period	Net Migration (thousands)	Period	Net Migration (thousands)
1925-29	-2,965	1950-54	-5,576
1930-34	-288	1955-59	-4,552
1935-39	-3,542	1960-64	-3,968
1940-44	-8,018	1965-69	-2,972
1945-49	-3,385		

SOURCE: Department of Agriculture, Economic Research Service.

Table XXV

POPULATION OF SMSAS AND POPULATION CHANGES BY SIZE CLASS IN 1970, FOR REGIONS, 1970 AND 1960

[SMSAs according to 1970 definition]

	Population in Thousands		Percent Change in Population
	1970	1960	1960-70
United States Total	139,374	119,581	16.6
2,000,000 or more population	52,181	46,591	12.0
1,000,000 to 1,999,999	28,433	22,467	26.6
500,000 to 999,999	21,935	18,589	18.0
250,000 to 499,999	19,761	16,992	16.3
Less than 250,000	17,065	14,943	14.2
Northeast Total	39,083	35,984	8.6
2,000,000 or more population	21,502	20,038	7.3
1,000,000 to 1,999,999	4,565	4,183	9.1
500,000 to 999,999	5,497	4,921	11.7
250,000 to 499,999	4,261	3,963	7.5
Less than 250,000	3,259	2,878	13.2
North Central Total	37,744	33,429	12.9
2,000,000 or more population	15,606	13,997	11.5
1,000,000 to 1,999,999	6,966	6,066	14.8
500,000 to 999,999	5,387	4,720	14.1
250,000 to 499,999	4,549	4,018	13.2
Less than 250,000	5,236	4,627	13.2
South Total	35,173	28,841	22.0
2,000,000 or more population	4,932	3,868	27.5
1,000,000 to 1,999,999	8,257	6,169	33.9
500,000 to 999,999	8,096	6,710	20.7
250,000 to 499,999	7,388	6,282	17.6
Less than 250,000	6,501	5,811	11.9
West Total	27,372	21,328	28.3
2,000,000 or more population	10,141	8,688	16.7
1,000,000 to 1,999,999	8,645	6,048	42.9
500,000 to 999,999	2,955	2,237	32.1
250,000 to 499,999	3,562	2,729	30.5
Less than 250,000	2,069	1,626	27.2

SOURCE: Department of Commerce, Bureau of the Census.

The percentage of population increase in central cities versus suburbia between 1900 and 1960 was 11.6 percent inside central cities and 45.9 percent outside central cities. The placement of street car and train tracks, big highways, water mains, sewer trunklines, and even electric power and gas utilities still limited the direction and extent of settlement and induced clustering. But even though metropolitan population growth – like that of the nation as a whole – slowed considerably during the depression years of the 1930s, since then suburban growth increasingly outpaced that of the central cities, and metropolitan growth has soared (see *Table XXV*).

Between 1960 and 1970, the aggregate population of central cities increased by 6.4 percent; the aggregate population of those cities' suburban areas increased by 26.7 percent. Put differently, between 1960 and 1970 over 80 percent of the total population increase in American metropolitan areas occurred in suburban locations, and less than 20 percent occurred in central cities (see *Map IV* and *Table XXVI*).

The Census Bureau reported early in 1972 that there had been about a 33-1/3 percent increase in land considered suburban during the 1960s; that about two-thirds of the population of the United States then lived on less than 2 percent of the land, concentrated in urban areas; and that the dual trend of more people living in metropolitan areas but spreading out more within them had become well established.[2]

The trend toward more rapid suburban growth is demonstrated even more sharply when central city population increases are examined in terms of those components resulting from annexations and those resulting from growth within 1960 central city boundaries. For all central cities, population growth occurring within the boundaries existing as of 1960 was only 700,000 persons between 1960 and 1970. Thus, actual central city population growth amounted to less than 4 percent of the total increase in metropolitan population during that decade.

The 1974 *Report on National Growth and Development*[3] reported a slackening of metropolitan growth generally, and a slower pace of suburbanization in the large metropolitan areas between 1970 and 1974. Those areas exceeding 2-million in population experienced net out-migration in that period of time. Many medium-sized and smaller metropolitan areas, on the other hand, continued to gain population through net

Table XXVI

1970 POPULATION AND 1960-70 CHANGE IN POPULATION FOR U.S. METROPOLITAN AREAS, BY SIZE OF AREA

[SMSAs According to 1970 Definition]

Size Class of SMSA	1970 Population			Change, 1960-70		
	Inside Central City	Outside Central City	Total	Inside Central City	Outside Central City	Total
Total	63,824	75,549	139,374	3,194	16,598	19,793
2,000,000 or more	23,143	29,038	52,181	424	6,013	5,590
1,000,000 to 1,999,999	11,668	16,764	28,433	1,034	4,931	5,966
500,000 to 999,999	10,871	11,563	22,434	748	2,683	3,431
250,000 to 499,999	8,670	10,592	19,261	783	1,901	2,664
Under 250,000	9,472	7,593	17,065	1,053	1,070	2,122

SOURCE: Department of Commerce, Bureau of the Census.

Map IV

RECENT POPULATION SHIFTS WITHIN SIX MAJOR METROPOLITAN REGIONS

San Francisco-Oakland Area

	Percent Change	
	1960–'70	1970–'73
San Francisco	–3.3%	–3.8%
Suburbs:		
Alameda	18.2	1.7
Contra Costa	36.5	2.7
Marin	40.3	1.2
San Mateo	25.2	1.5

St. Louis Area

	Percent Change	
	1960–'70	1970–'73
St. Louis	–17.0%	–8.7%
Suburbs:		
Franklin	23.7	10.8
Jefferson	58.6	9.5
St. Charles	75.5	11.5
St. Louis County	35.2	
Madison, Ill.	11.7	1.1
St. Clair	8.6	0.6

Baltimore Area

	Percent Change	
	1960–'70	1970–'73
Baltimore	–3.6%	–3.8%
Suburbs:		
Anne Arundel	44.0	8.0
Baltimore County	26.1	2.8
Carroll	30.7	10.2
Harford	50.4	11.9
Howard	71.3	29.5

Washington Area

	Percent Change	
	1960–'70	1970–'73
Washington	–1.0%	–1.4%
Suburbs:		
Montgomery Co., Md.	53.5	7.3
Prince Georges Co., Md.	84.8	5.1
Arlington Co., Va.	6.7	–6.0
Fairfax Co., Va.	74.1	13.0
Loudoun Co., Va.	51.3	12.2
Prince William Co., Va.	121.5	16.2
Alexandria, Va.	21.9	–5.4
Fairfax City, Va.	61.7	–1.6
Falls Church, Va.	5.7	–4.8

New York Area

	Percent Change	
	1960–'70	1970–'73
New York City	+1.5%	–2.3%
Suburbs:		
Rockland	68.1	4.4
Westchester	10.5	–0.4
Bergen, N.J.	15.1	0.1
Putnam	78.7	12.0
Nassau	9.8	–1.1
Suffolk	68.7	6.2

Philadelphia Area

	Percent Change	
	1960–'70	1970–'73
Philadelphia	–2.7%	–3.5%
Suburbs:		
Bucks Co., Pa.	34.5	6.1
Chester Co., Pa.	32.1	3.2
Delaware Co., Pa.	8.5	–0.3
Montgomery Co., Pa.	20.7	0.7
Burlington, N.J.	43.9	0.1
Camden, N.J.	16.4	3.9
Gloucester, N.J.	28.1	5.0

SOURCE: Bureau of the Census
The New York Times, March 23, 1975

in-migration. By 1974, about 37 percent of the national population lived in metropolitan rings, while the remainder was divided about evenly between central cities and non-metropolitan areas.

Even with some slowing down, a recent seminar on the "Shape of Metropolitan Areas in the Year 2000" concluded that there will be a continuation of the trend toward suburban sprawl, and that a national commitment to rebuild cities will not develop; and it concluded, too, that there will be no radical change in growth patterns in urban areas because the rapidly declining birth rate will create little added pressure on governmental services and residential needs.[4]

Pace and Pattern of Metropolitan Growth

Perhaps the final proof needed that metropolitan growth is virtually synonymous with suburban development is that a more sophisticated form of population analysis had to be developed to accommodate the change. Now the Census Bureau deals with the nation's major urbanized areas as Standard Metropolitan Statistical Areas (SMSAs), which take into account both the central city and the contiguous urbanized areas around them.[5]

At the time of the 1970 census, 243 SMSAs had been designated. These SMSAs contained almost 139.5-million people, or about 69 percent of the nation's total 203-million population in 1970. They ranged in size from the 56,000 in Meriden, Connecticut, to the 11.5-million in the New York SMSA. Thirty-three SMSAs had populations of over 1-million in 1970; six of them had populations between 2- and 3-million, and six more, including New York, were over 3-million (see *Table XXVII*). The 1972 Census of Governments showed 264 SMSAs (see *Map V*), containing 143-million people (based on 1970 census figures).

SMSAs varied in importance from region to region in 1970 – as they have since they were instituted. The most heavily metropolitan state in 1970 was California, where almost 93 percent of the population lived in SMSAs. The next most metropolitan states were New York (86%), Massachusetts and Rhode Island (84.7%), Connecticut (82.6%), Nevada (80.7%), and Illinois (80.1%). At the other extreme were the states of Alaska,[6] Vermont, and Wyoming, in which there were no SMSAs at all.

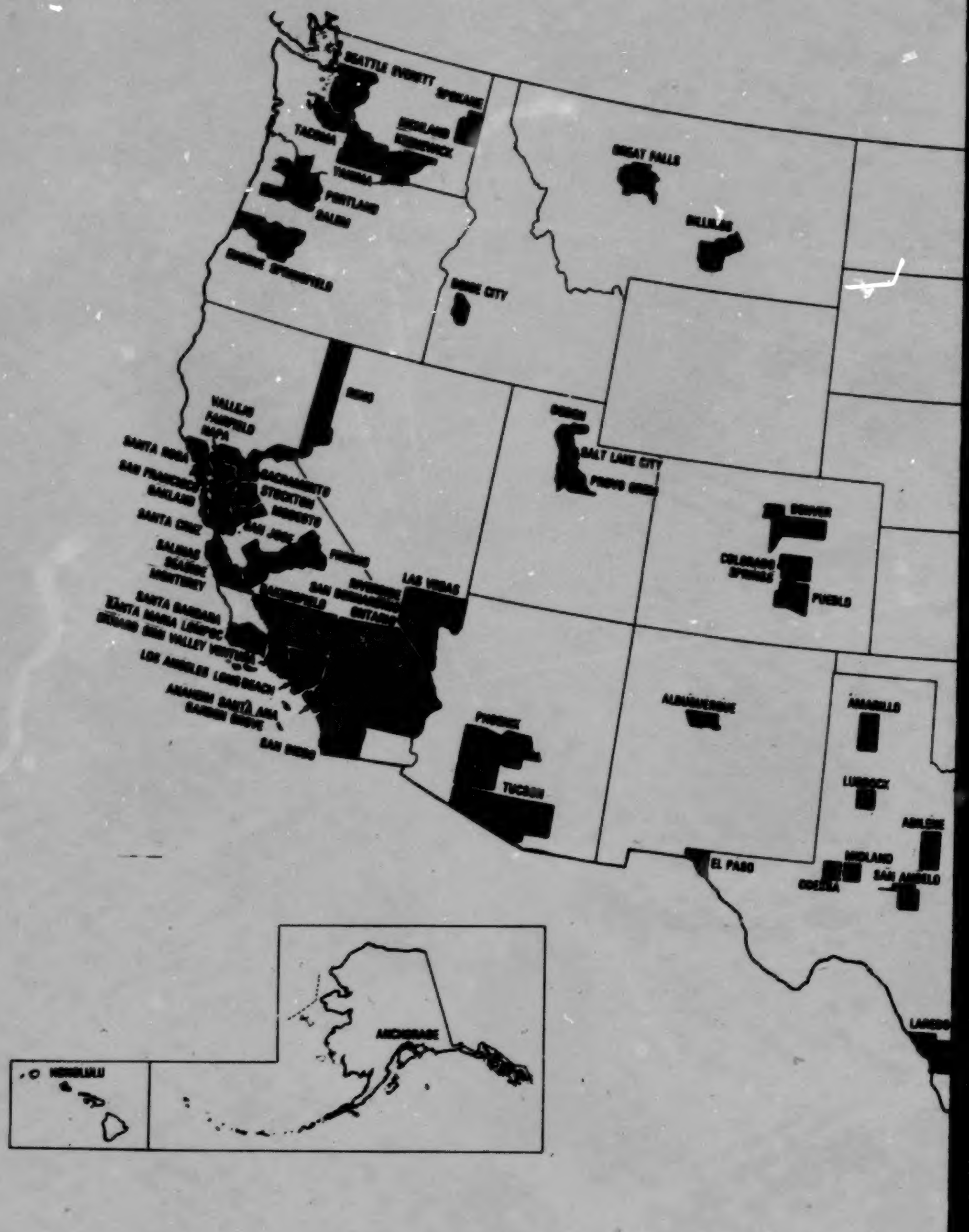
Rates of growth in individual SMSAs varied widely during the 1960s. Among metropolitan areas with populations below 2-million, growth between 1960 and 1970 seems to have varied consistently with the size of the area. In general, larger metropolitan areas grew faster than smaller areas. Indeed, almost all of the nation's population gain in the 1960s occurred in metropolitan areas of greater than 100,000 population. Among SMSAs with at least 200,000 persons, the net population change ranged from a decline of 9 percent in the Charleston, West Virginia, SMSA to an increase of 115 percent in the Las Vegas, Nevada, SMSA.

Growth rates varied by state and region as well. Against an average national gain of 16.6 percent in metropolitan population between 1960 and 1970, 11 states gained 25 percent or more in metropolitan population during that period:

State	Percent Gain
Nevada	86%
Arizona	42
Florida	37
Colorado	32
Maryland	29
California	27
Virginia	27
Delaware	25
Georgia	25
Hawaii	25
New Hampshire	-25

Thirteen states gained from 15-24 percent; 15 from 10-24 percent; and seven from 0-9 percent. West Virginia and the District of Columbia suffered losses of .5 percent and 1 percent respectively. SMSAs in the West, particularly in California, Arizona, and Nevada, experienced the most rapid rate of growth between 1960 and 1970. Metropolitan areas in the South – Florida and Georgia – grew nearly as fast. These two regions accounted for a disproportionately large amount of the nation's metropolitan population growth over the decade. Hawaii, Colorado, and New Hampshire also enjoyed high rates of growth. The smallest gains were in the North Central and Northeast regions, which underwent an earlier period of development. The slowest rates of metropolitan growth in the 1960s were to be found in New England, Iowa, and Mississippi.

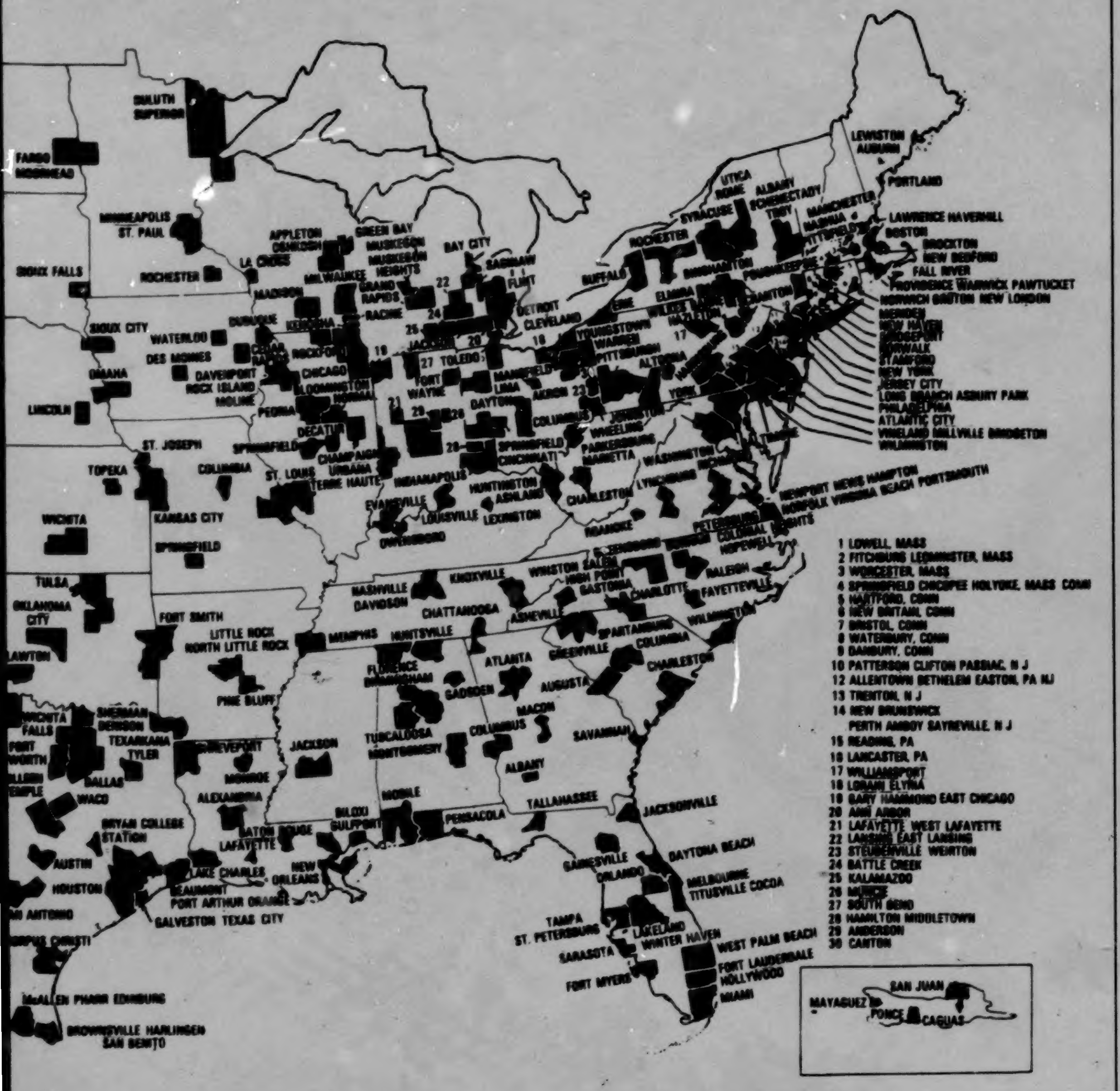
These state and regional differences may be undergoing further change. The director of the U.S. Bureau of the Census reported in March 1975 that the big gainer in population in the early 1970s was the South, where from 1970-1973 in-migration "appears to have been more than three times greater than net in-migration in the entire decade of 1960-1970. In this period, the South had a net in-migration of nearly 2-million, compared with only 600,000 in the 1960s." A major


SEATTLE EVERETT
SPOKANE
TACOMA
RICHLAND
KENNEWICK
YAKIMA
PORTLAND
SALEM
EUGENE SPRINGFIELD
GREAT FALLS
BILLINGS
BOISE CITY
RENO
VALLEJO
FAIRFIELD
NAPA
SANTA ROSA
SAN FRANCISCO
OAKLAND
SACRAMENTO
STOCKTON
MODESTO
SANTA CRUZ
SAN JOSE
SALINAS
SEASIDE
MONTEREY
FRESNO
SANTA BARBARA
SANTA MARIA LOMPOC
OXNARD SIMI VALLEY VENTURA
BAKERSFIELD
RIVERSIDE
SAN BERNARDINO
ONTARIO
LAS VEGAS
LOS ANGELES LONG BEACH
ANAHEIM SANTA ANA
GARDEN GROVE
SAN DIEGO
OGDEN
SALT LAKE CITY
PROVO OREM
DENVER
COLORADO SPRINGS
PUEBLO
PHOENIX
TUCSON
ALBUQUERQUE
EL PASO
AMARILLO
LUBBOCK
ABILENE
MIDLAND
ODESSA
SAN ANGELO
LAREDO
ANCHORAGE
HONOLULU

Map V

STANDARD METROPOLITAN STATISTICAL AREAS

Areas Defined by Office of Management and Budget, January 1972


DULUTH SUPERIOR
FARGO MOORHEAD
MINNEAPOLIS ST. PAUL
SIOUX FALLS
ROCHESTER
LA CROSSE
APPLETON OSHKOSH
GREEN BAY
MUSKEGON MUSKEGON HEIGHTS
BAY CITY
SAGINAW
FLINT
GRAND RAPIDS
MADISON
MILWAUKEE
RACINE
KENOSHA
DUBUQUE
SIOUX CITY
WATERLOO
DES MOINES
CEDAR RAPIDS
ROCKFORD
DAVENPORT ROCK ISLAND MOLINE
CHICAGO
OMAHA
LINCOLN
PEORIA
BLOOMINGTON NORMAL
DECATUR
SPRINGFIELD
CHAMPAIGN URBANA
ST. JOSEPH
TOPEKA
COLUMBIA
ST. LOUIS
TERRE HAUTE
KANSAS CITY
WICHITA
SPRINGFIELD
EVANSVILLE
LOUISVILLE
OWENSBORO
LEXINGTON
HUNTINGTON ASHLAND
INDIANAPOLIS
FORT WAYNE
TOLEDO
DETROIT
CLEVELAND
MANSFIELD
LIMA
AKRON
DAYTON
COLUMBUS
SPRINGFIELD
CINCINNATI
YOUNGSTOWN WARREN
PITTSBURGH
ERIE
BUFFALO
ROCHESTER
SYRACUSE
UTICA ROME
ALBANY SCHENECTADY TROY
BINGHAMTON
ELMIRA
WILKES BARRE HAZLETON
SCRANTON
ALTOONA
JOHNSTOWN
YORK
HARRISBURG
WHEELING
PARKERSBURG MARIETTA
CHARLESTON
WASHINGTON
BALTIMORE
LYNCHBURG
RICHMOND
ROANOKE
PETERSBURG COLONIAL HEIGHTS HOPEWELL
NEWPORT NEWS HAMPTON
NORFOLK VIRGINIA BEACH PORTSMOUTH
LEWISTON AUBURN
PORTLAND
MANCHESTER
NASHUA
PITTSFIELD
LAWRENCE HAVERHILL
BOSTON
BROCKTON
NEW BEDFORD
FALL RIVER
PROVIDENCE WARWICK PAWTUCKET
NORWICH GROTON NEW LONDON
MERIDEN
NEW HAVEN
BRIDGEPORT
NORWALK
STAMFORD
NEW YORK
JERSEY CITY
LONG BRANCH ASBURY PARK
PHILADELPHIA
ATLANTIC CITY
VINELAND MILLVILLE BRIDGETON
WILMINGTON
POUGHKEEPSIE
GREENSBORO
WINSTON SALEM HIGH POINT
RALEIGH
DURHAM
GASTONIA
CHARLOTTE
FAYETTEVILLE
WILMINGTON
ASHEVILLE
KNOXVILLE
NASHVILLE DAVIDSON
CHATTANOOGA
HUNTSVILLE
MEMPHIS
FLORENCE
BIRMINGHAM
GADSDEN
ATLANTA
GREENVILLE
SPARTANBURG
COLUMBIA
CHARLESTON
AUGUSTA
MACON
COLUMBUS
SAVANNAH
ALBANY
TUSCALOOSA
MONTGOMERY
JACKSON
MOBILE
PENSACOLA
BILOXI GULFPORT
TALLAHASSEE
JACKSONVILLE
GAINESVILLE
DAYTONA BEACH
ORLANDO
MELBOURNE TITUSVILLE COCOA
TAMPA ST. PETERSBURG
LAKELAND WINTER HAVEN
SARASOTA
FORT MYERS
WEST PALM BEACH
FORT LAUDERDALE HOLLYWOOD
MIAMI
FORT SMITH
LITTLE ROCK NORTH LITTLE ROCK
PINE BLUFF
TULSA
OKLAHOMA CITY
LAWTON
WICHITA FALLS
SHERMAN DENISON
TEXARKANA
TYLER
SHREVEPORT
MONROE
ALEXANDRIA
FORT WORTH
DALLAS
KILLEEN TEMPLE
WACO
BRYAN COLLEGE STATION
AUSTIN
HOUSTON
SAN ANTONIO
BATON ROUGE
LAFAYETTE
LAKE CHARLES
NEW ORLEANS
BEAUMONT PORT ARTHUR ORANGE
GALVESTON TEXAS CITY
CORPUS CHRISTI
McALLEN PHARR EDINBURG
BROWNSVILLE HARLINGEN SAN BENITO
SAN JUAN
MAYAGUEZ
PONCE
CAGUAS
1 LOWELL, MASS
2 FITCHBURG LEOMINSTER, MASS
3 WORCESTER, MASS
4 SPRINGFIELD CHICOPEE HOLYOKE, MASS CONN
5 HARTFORD, CONN
6 NEW BRITAIN, CONN
7 BRISTOL, CONN
8 WATERBURY, CONN
9 DANBURY, CONN
10 PATTERSON CLIFTON PASSIAC, N J
12 ALLENTOWN BETHELEM EASTON, PA NJ
13 TRENTON, N J
14 NEW BRUNSWICK PERTH AMBOY SAYREVILLE, N J
15 READING, PA
16 LANCASTER, PA
17 WILLIAMSPORT
18 LORAIN ELYRIA
19 GARY HAMMOND EAST CHICAGO
20 ANN ARBOR
21 LAFAYETTE WEST LAFAYETTE
22 LANSING EAST LANSING
23 STEUBENVILLE WEIRTON
24 BATTLE CREEK
25 KALAMAZOO
26 MUNCIE
27 SOUTH BEND
28 HAMILTON MIDDLETOWN
29 ANDERSON
30 CANTON

SOURCE: U.S. Department of Commerce – Social and Economic Statistics Administration – Bureau of the Census

Table XXVII

METROPOLITAN AREAS

Standard Metropolitan Statistical Areas
Number and Population 1970, and Change 1960-1970

	Number of SMSAs 1970		Population 1970				Population Change 1960-1970		
1970 Population Size	In Each Size Class	Cumulative	In Each Size Class		Cumulative		In Each Size Class	Cumulative	
			Total (1,000)	Percent of Total SMSAs	Total (1,000)	Percent of Total SMSAs	Total (1,000)	Total (1,000)	Percent of Total SMSAs
Total SMSAs	243	–	139,419	100.0	–	–	19,824	–	–
3,000,000 or more	6	6	37,710	27.0	37,710	27.0	4,002	4,002	20.2
1,000,000 - 3,000,000	27	33	42,946	30.8	80,657	57.9	7,584	11,586	58.4
500,000 - 1,000,000	32	65	21,936	15.7	102,593	73.6	3,348	14.934	75.3
250,000 - 500,000	60	125	19,761	14.2	122,354	87.8	2,769	17,703	89.3
100,000 - 250,000	92	217	14,973	10.7	137,327	98.5	1,892	19,595	98.8
less than 100,000	26	243	2,091	1.5	139,419	100.0	224	19,824	100.0

SOURCE: U.S. Bureau of the Census, *U.S. Census of Population: 1970*, Vol. 1.

reason for the increase was the extensive development of truck routes in the South, making possible a proliferation of small manufacturing plants throughout the region.[7]

Since 1970, Census Bureau surveys show a shift in population patterns toward non-metropolitan areas, perhaps for the first time in American history. Survey data show that non-metropolitan counties – those with no population center of 50,000 or more – gained 4.2 percent in population between April 1970 and July 1973, while metropolitan areas gained by 2.9 percent during the same period. Some of the shift is merely the extension of the movement to suburbia that has been going on for years, only further into the countryside, but some of it is occurring in small towns and rural areas away from metropolitan centers. Whether this trend will be confirmed in the rest of the 1970s and beyond remains to be demonstrated. If the spread of industry to remoter areas and a consequent improvement of the rural economy and the migration of retired people out of the great metropolitan complexes continue, it may well be confirmed.[8]

Diminishing Density

The basic pattern of SMSA development – higher density at the center, lower densities around the edges – has remained virtually the same for almost a century. However, for some time, urban areas have spread out, due to the drift to suburbia of central city populations and heavy in-migration into suburban areas from outside individual SMSAs. This spread has been faster than population growth alone would justify. As a result, population density has tended to decline in both central cities and in urban areas as a whole.

Comprehensive data on density are not available prior to 1950. One study, however, does indicate that in most metropolitan areas population density at the center of the primary city has been declining since at least 1910. New York illustrates this: the density of population in Manhattan, the core of the urban complex, declined from 102,711 per square mile in 1910 to 67,160 per square mile in 1970.

The density data available since 1950 show that in 1950, the average population density in all "urbanized areas" in the nation was 5,408 per square mile; by 1960, it had declined to 3,752 per square mile; and by 1970, to 3,376 per square mile. For central cities alone, density fell from 7,786 per square mile in 1950 to 4,463 in 1970. During these same years, population densities in the suburban portions of urbanized areas fell from 3,167 per square mile to 2,627 per square mile.

As the American people continue to seek low-density life styles, the population of a good many fully developed urban centers can be expected to decline. This has already happened since 1950 in Baltimore, Boston, Chicago, Detroit, Philadelphia, Pittsburgh, and St. Louis. And the same thing is beginning to happen in a number of suburban communities next to which new suburban development has taken place. The 1970 Census found that population decreases were experienced by the established suburban communities of University City, Missouri (a St. Louis suburb); Dearborn, Michigan (a Detroit suburb); Brookfield, Illinois (a Chicago suburb), and Burbank, California (a Los Angeles suburb).

Mobility, Migration, and Immobility

Population changes, it should be noted, are due to two forces – mobility and migration. Both mobility and migration are reflected in metropolitan growth. Mobility represents short-range moves within city or county boundaries, and migration refers to a move across an SMSA boundary, across intrastate county lines, or from one state to another. Each year recently, one American in five has moved, but about two-thirds of these moves are made within the same county, and less than one-sixth are across a state line. Long distance moves between SMSAs are not proportionally much greater than they were over a century ago.

Mobility figures – those for short-range moves – cannot be obtained for the last century, but if they could, they would probably show that short-range moves, especially from one job market to another, have increased in this century. In metropolitan areas between 1970 and 1975, about 45 percent of the people five years of age or older moved to another home. Surveys show that young adults had a much higher mobility rate than older people and that they move greater distances.[9]

Migration figures – those for long-range moves – show a high net in-migration in the Southern and Western states in recent years. More than half the growth of the metropolitan areas in the crescent formed by the states of the South, Southwest, Mountain, and Pacific Coast states resulted from in-migration. By contrast, metropolitan areas in the Northeastern and Great Lakes states owe their recent growth more to the natural increase of their own residents. Surveys in 1963-1966 found that although fewer non-whites moved long distances than did whites, when they did cross state lines they moved farther. In general, migration was higher for white persons, the college-educated, professional people, and unemployed men. There is no reason to think these factors have changed since.

As might be expected, motivational and other research among migrants suggests the major factor involved is the desire for improved economic opportunity. At the same time, those with better educational backgrounds and better job skills are more likely to move for that purpose than those lacking these traits. Thus, areas of high economic activity are naturally the major focal points of in-migration. But the converse is not necessarily true, since areas of lower level economic activity do not always encourage out-migration. This is explained in part by the fact that certain groups – some blue collar workers, some of the less educated, many blacks, and many oldsters – simply do not move merely because of a chance for economic betterment. Non-economic factors enter into their decision not to move from areas of limited opportunity. When out-migration does take place in such areas, the result is usually a reduction in the most productive sector of their respective work forces.

Economic and Racial Divisions

Another significant trend in metropolitan area population growth relates to the changing composition of the metropolitan population itself. Economics has been a basic factor prompting migration out from the center. As central city residents have been able to afford houses of their own, they have left the central city for the suburbs, leaving the older housing stock there for newcomers, who have most often been poorer families and individuals. With the boundaries of most central cities becoming virtually fixed, this movement has led to the cencentration of the poor within central city boundaries. By 1970, 13.4 percent of the central city population was composed of people with incomes below what was then defined as the poverty level, whereas only 7.2 percent of the suburban population was composed of such individuals.

Accompanying the economic division of metropolitan areas has been a trend toward racial separation. As blacks have migrated into the metropolitan areas, most went to the central cities, and within those cities, to segregated neighborhoods. Both economics and social forces have operated to limit the availability of housing for blacks and other minorities outside the central city area. During the 1960s, the black population of the nation's central cities grew by 3.2-million, while the white population there declined by 600,000. In contrast, only 800,000 blacks were added to suburban populations, while the white population showed a 15.5-million increase. Most of the increase in black population outside of central cities took place in only a few SMSAs; in 1970, two out of every three new black suburbanites were in one of the 12 largest metropolitan areas, and more than one in three of them were in the New York, Los Angeles, and Washington metropolitan areas (see *Figure XXII*).

The 1974 *National Growth Report* noted that the loss of white population in the central cities has accelerated since 1970. Whereas between 1960 and 1970 the white population in central cities had decreased by little more than 1 percent, between 1970 and 1974 the decrease in white population was over 8 percent. And whereas between 1960 and 1970 only a fifth of the 4-million increase of blacks in metropolitan areas took place in the suburbs, between 1970 and 1973 the black population increased more rapidly in the suburbs (1.8%) than in the central cities (0.3%). Blacks, however, continued to represent an increasing proportion of the central city population and a decreasing proportion of the suburban population (see *Table XXVIII*).

Problems Associated with Growth

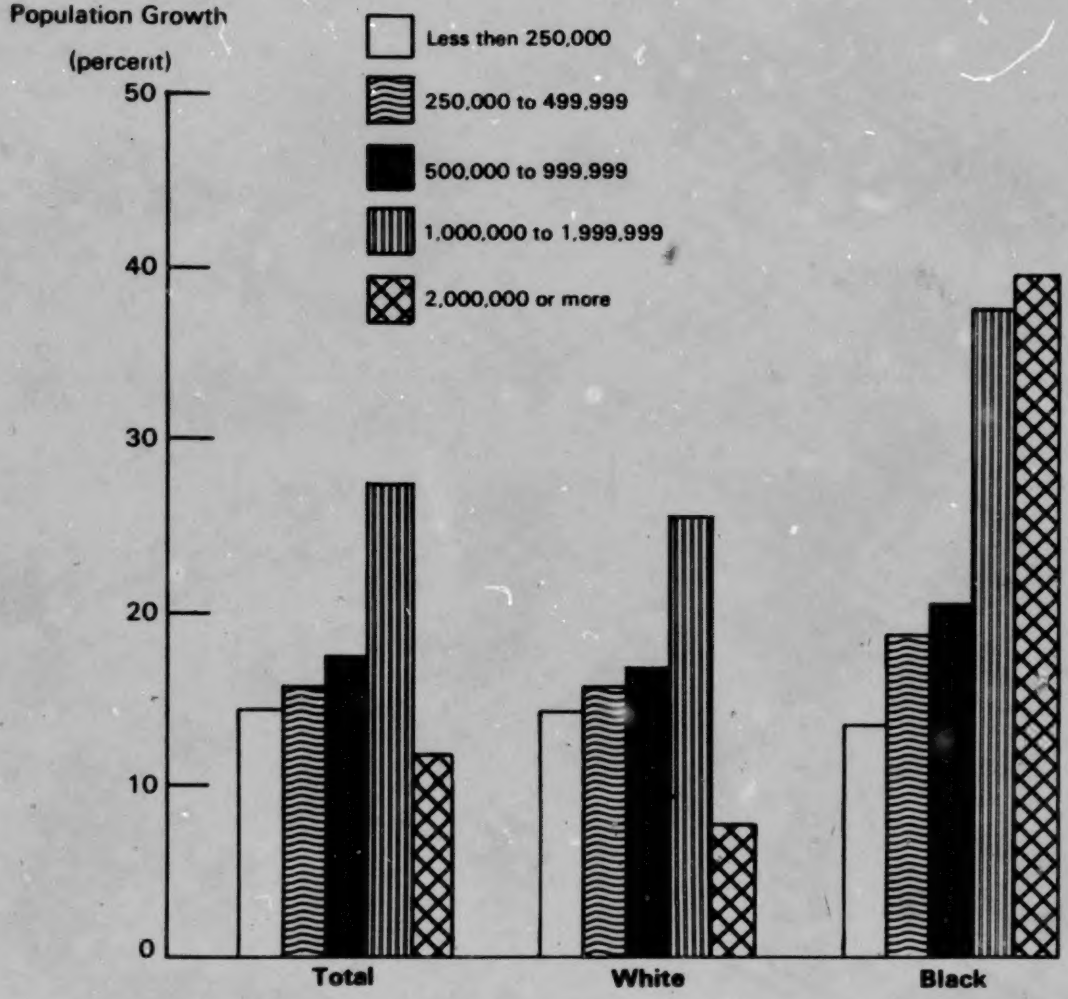
Shifts in population and changes in the location of economic activity have had a substantial impact on the physical, social, and economic vitality of many central cities, as noted in *Chapter II*. The influx of low-income families and individuals has placed a heavy burden on municipal services and facilities, a burden not likely to decline rapidly in the future. At the same time, the revenue sources available to pay for them have shrunk, as higher income families and industry have moved to the suburbs. The stagnant, or declining, tax bases of many central cities, together with the growing costs of police, fire, welfare, and sanitation services there, have often led to a reduction in the quality of service provided. This falls especially hard on poor families, since they suffer the consequences of crime, vandalism, drug addiction and neighborhood deterioration more than other Americans.

Increasing population in large metropolitan areas has intensified problems of air, water, and noise pollution as well as other forms of environmental degradation. Forest, streams, swamps, shorelines, wetlands, open space, and service areas have been consumed by metropolitan development. Few cities have found ways to control traffic congestion. Many urban dwellers spend substantial portions of their time contending with problems of clogged streets and highways, and trying to find parking places at their destination. At the same time, declining densities within metropolitan areas have made it difficult to provide efficient, self-supporting public transportation systems.

In most areas of the country, rapid increases in land costs have accompanied urban growth. Census Bureau

Figure XXII

POPULATION GROWTH BY SIZE OF STANDARD METROPOLITAN STATISTICAL AREAS IN 1970 AND BY RACE, 1960 TO 1970



SOURCE: *Report on National Growth and Development* (1974), p. 14.

Table XXVIII

Population Shifts Between City and Suburbs, by Race, March 1970 - March 1973

(in thousands)

	1970	1973	Percent Change
Within Central Cities			
Whites	46,592	42,600	8.6%
Blacks	12,315	12,350	0.3%
Balance SMSA (Suburbs)			
Whites	64,460	67,380	4.5%
Blacks	3,360	3,420	1.8%

SOURCE: Bureau of the Census, "Mobility of the Population of the U.S., March 1970-March 1973," Series P-20, No. 262. (March 1974), Table 1.

Table XXIX

ECONOMIC TYPES OF METROPOLITAN AREAS, BY SIZE; 1968

SMSA Size Group (1,000 population)	Type of SMSA (number in parentheses as of 1968)
1,000 +	National Economic Centers (4)[a]
300 - 499	Regional Economic Centers (12)[b]
300 - 499	Manufacturing – Moderate Intensity (69)
200 - 299	Manufacturing – Intensive (28)
200 - 299	Government Other Than Military (21)
100 - 199	Agriculture (10)
100 - 199	Government, Military (26)
100 - 199	Recreation (4)
100 - 199	Mixed (40)
50 - 99	Mining (5)

[a] New York, Los Angeles, Chicago, and San Francisco

[b] Atlanta, Ga., Billings, Mont., Boise City, Ida., Charlotte, N.C., Dallas, Tex., Des Moines, Ia., Fargo – Moorhead, N.D. – Minn., Houston, Tex., Memphis, Tenn., – Ark., Portland, Ore. – Wash., Sioux Falls, S.D., and Springfield, Mo.

SOURCE: U.S. Department of Commerce, Survey of Current Business (August 1968), p. 29.

surveys of the prices of new homes indicate that land values increased about 6 percent annually between 1963 and 1969. The National Association of Homebuilders reports that the proportion of a new home's value accounted for by site costs rose from 11 percent in 1949 to 24 percent in 1969. Similarly, site costs of houses financed with FHA-insured loans rose from 17 percent of total value in 1960 to 20 percent in 1970. And inflation in land prices contributed to the 75 percent increase in housing costs during the 1965-1976 period. These costs have continued to rise since then.

As the 1972 *Report on National Growth* put it, "Each of [these] problems . . . is a primary concern of this nation. Government should address itself to alleviating these problems and, at the same time, [to] adopting policies toward growth that will prevent their recurrence in the future."[9a] The purpose of this chapter is to present the recommendations of the Advisory Commission on Intergovernmental Relations to that end. But, before examining these recommendations, it is important to note that, at least as far as metropolitan areas are concerned, there is a variety of patterns which must be accommodated in any comprehensive growth policy.

Cities as Economic Types

The International City Management Association has classified cities and other urban places of over 10,000 population by the type and intensity of economic activities carried on within their boundaries. Its analysis suggests that as cities grow larger they tend to become more diversified in their activities. A related finding is that, unless some cities break the mold of their traditional principal activity – service as a dormitory or a mining center, for example – they are unlikely to attain larger size. The survey data suggest that similar generalizations would be valid at the metropolitan level.[10]

More recently, the U.S. Department of Commerce has assembled personal income data as a basis for classifying metropolitan areas by economic type.[11] This classification is based primarily upon the relative proportion of personal income arising from various types of "export" industries – those which export the bulk of their output, as distinct from "residential" industries whose output goes chiefly to meet local demand. It should be noted that the "industry" concept used by Commerce is a broad one, including government, and that the measured output covers services as well as commodities.

Large urban areas, it was found, more than smaller urban areas, generally involve diversified economic activity and a stronger role for distributive and service industries as well as for those engaged in manufacturing. When the 223 SMSAs covered by the Department's study in 1968 were grouped according to population size, the breakdown of metropolitan areas by economic types shown in *Table XXIX* emerged.

The group of 40 mixed SMSAs consists of those whose economy is relatively diversified, with an industrial mix that generally resembles the nationwide composition of SMSAs as a whole.

Clearly, while metropolitan areas have many economic similarities – particularly a dependence upon a sizable number of "exporting" industries – they differ considerably in the extent and actual content of their specialization. These differences in turn call for different approaches to land use and urban growth policies therein.

Another classification of metropolitan areas has indicated the regional variability of larger metropolitan areas. A Rand Corporation study of the 125 urban areas over 250,000 population analyzed interrelationships among 53 social, economic, and governmental characteristics, using 1970 data. The patterns which emerged demonstrated the regional basis of city differentiation, based upon a common history and similar economic development.[12]

Income Differences – Convergencies and Divergencies

Metropolitan areas also differ among themselves in income levels. In reviewing historic trends, the Advisory Commission on Intergovernmental Relations has documented a gradual narrowing of income levels among metropolitan areas and between metropolitan areas as a whole in relation to the rest of the nation. But this tendency to grow more alike does not hold as between central cities and the outlying portions of their metropolitan areas.

The interstate range in per capita income has been dropping materially since 1929. In that year, the lowest ranking state – South Carolina – was at only 38 percent of the national average, and the highest ranking state – New York – was at 165 percent – a spread of more than 4-to-1. By 1950, the range had been brought down to 49 percent and 130 percent, respectively, a spread of less than 3-to-1, and by 1969, it had narrowed further, to about a 2-to-1 spread with the poorest state – Mississippi – at 61 percent and the highest income state – Connecticut – at 125 percent of the national average level.

A similar development can be observed for metropolitan areas. Among such areas, the range in average per capita income had narrowed from about a 5-to-1 spread in 1929 to something closer to a 3-to-1 spread by 1970.

The income differentials within states between metropolitan and non-metropolitan areas has also been narrowing. In 1929, personal income in areas now defined as metropolitan averaged 2.3 times as much as personal income in the rest of the country. In 1969, statistics on median family incomes in metropolitan areas as compared with non-metropolitan areas showed the gap had narrowed to about 1.3 margin in favor of metropolitan families.[13]

In 1959, of 7,947,000 families with income below the poverty level, 3,342,000 – 42 percent – were located in SMSAs and 4,632,000 in non-metropolitan areas, while in 1969, with the income of 4,948,000 families reported at below the poverty level, 2,415,000 of those families – 49 percent – were in SMSAs, while 2,533,000 were in non-metropolitan areas.

Within metropolitan areas, there was a very wide range of median family incomes in 1970, from $15,862 in the Springfield, Massachusetts, SMSA to $4,776 in the McAllen, Texas, SMSA. Most of the larger metropolitan areas had higher income patterns than the smaller ones. A very large proportion of low-income families lives in the central cities of SMSAs. In 1959, with some 3,342,000 families below the poverty level in SMSAs, 2,013,000 of these families – 60 percent – lived in the central city and 1,329,000 of them in the suburbs; in 1969, with 2,415,000 low-income families living in SMSAs, 1,484,000 of those families – 61 percent – lived in the central city and only 931,000 in the suburbs.

The income disparity between central city and suburban families has increased during the past decade. In 1959, the median family income for central city families ($7,420) was about $930 less than that for suburban families ($8,350). By 1969, $1,840 separated the median family incomes of the two groups ($9,160 and $11,000). The median family income of central city families decreased from about 89 percent of suburban families in 1959 to about 83 percent in 1969.

Obviously, these differences in income level have profound impact on what the several parts of a metropolitan area can contribute toward the development of a more rationalized growth policy.

The Growth Cycle and Industrial Change

In 1967, Professor Wilbur Thompson of Detroit's Wayne State University analyzed various factors affecting the location of business and industry, and concluded that urban areas with populations ranging upwards from "perhaps 58,000 and certainly from 200,000" face nearly inexorable pressures for future growth. He pointed out that "the large urban area is especially likely to give birth to new industries and is especially likely to attract income-elastic services."[14] Such an area has important advantages in producing economies that induce industries to locate there, as affirmed in the Commission's 1968 report, *Urban and Rural America: Policies for Future Growth.*[15] These include the availability of the necessary city infrastructure, an industrially oriented labor supply, and proximity to markets and materials. On the other hand, Thompson suggested that the very large metropolis is likely to reach a stage where its growth rate drops back to near the national average or below. This he traced to a "filtering down" process by which industries, as they mature, tend to move "from places of greater to places of lesser industrial sophistication . . . skill requirements decline steadily as the production process is rationalized and routinized . . . the high wage rates of the more industrially sophisticated innovating areas become excessive, relative to skills needed. The aging industry seeks out industrial backwaters where the cheap labor is up to the lesser demands of the simplified process.[16]

Also, as the Commission noted in its own report, the built-in tendency for further concentration of economic activity in given areas may be counterbalanced by diseconomies of scale, such as higher land rents.[17]

As a result of these forces, the very large metropolitan area is likely to experience a relative slowing in its economic growth rate, as its industry mix becomes more diversified – more "average" – unless it can continue to attract a considerable proportion of innovative, fast-growing types of business. It would appear, from one analysis, that the largest metropolitan areas generally have not managed to accomplish this in recent years; personal income in the ten largest SMSAs grew somewhat less (48%) between 1959 and 1966 than that in the other SMSAs (53%). Of these ten largest areas, only three (Detroit, San Francisco-Oakland, and Washington) showed an income growth rate faster than that of the nation as a whole.

Dr. Thompson observed that "both the larger industrial centers from which, and the small areas to which, [slow growth] industries filter down must run to stand still at the national average growth rate." His analysis suggests that scattered small towns – unfortified with the infrastructure and economies of larger areas, or with the amenities that would attract business management – are likely to fall farther and farther behind, often at best dependent upon "the hand-me-downs, the cast-offs of the industrial system . . ."[18]

It is important to observe, however, that this prospect applies to communities that are outside present or emergent metropolitan areas. A very different prospect would be indicated for satellite cities and towns within such areas, as well as other parts of the metropolitan fringe. There is ample evidence that a growing share of industry and commerce is locating in such areas, which may offer many of the advantages of the metropolis without all of the costs and possible disadvantages of a central city location. (See *Tables XXX-XXXII* for summary of detailed data presented in ACIR, *Significant Trends in Metropolitan America*, 1976.)

In brief, with market forces operating normally, suburbia is a magnet not only for people but business and industry as well. Increasingly, central cities are shunned because of taxes, other high costs, and civil disorder, while rural areas sometimes are avoided as "Dullsvilles" where corporation executives, professionals, and their wives are loath to settle.

THE BLEAK SIDE OF BURGEONING URBANIZATION

With the growth of urban areas, a way of life has emerged that is economically productive, in many ways stimulating, and, for many who live it, thoroughly satisfactory. Yet, there is a darker side, characterized by physical disorder, wastefulness, and human distress.

The Lust for Land

The shape of settlement in metropolitan areas reflects the great growth in suburban population, the impact of the automobile, the effect of the FHA mortgage insurance program, the desire of some to escape the city, and the obsolescence of areas in the central city. Each year hundreds of thousands of acres, mostly in the outskirts of metropolitan areas, are converted to urban use. A majority of Americans apparently want, as Daniel Elazar notes, to become urbanized but not citified, for "they have clearly sought the suburban conditions of lawns and automobiles."[19] All too commonly, however, the resulting outward growth involves unsightly patterns of settlement in many metropolitan fringe areas.

By and large, those patterns of settlement have been directed – if direction indeed there was – by private economic interests which have acquired land from earlier land owners in the metropolitan fringe, or by the land owners themselves who have decided to parcel out their holdings to individual buyers or to subdivision developers. Though some control has been exerted over such land development in metropolitan fringe areas through extraterritorial zoning and subdivision regulation by metropolitan cities and/or counties, the major decision-making force has been private. Of course, government influences fringe development by its decisions as to location of water and sewer lines (local), highways (state), and airports (national), and by grants-in-aid and loan guarantee programs (national), but the fact remains that metropolitan growth has so far been chiefly a factor of private decisions to put land to urban uses.

One type of growth, sometimes referred to as "scatteration," consists of low density development with single-family homes built on lots of two to five acres or more. This low density settlement consumes large amounts of land that might be better used in the future at higher density ratios. Because it is uneconomic to service the homes with sewer and water lines, development tends to depend upon wells and septic tanks. But this is what millions of Americans prefer and will continue to prefer, regardless of how much professional planners, economists, and other "experts" inveigh against urban sprawl.

A second form consists of more intensive, asterisk-shaped growth out along major highway routes from built-up areas. Although the wedges of space between the strips are underdeveloped, utilities can be installed along the corridors.

Finally, suburban settlement is also characterized by "leapfrog" development, where relatively compact urbanization takes place in nodes, with substantial tracts of raw land left between them. The relatively compact areas usually require the greatest initial capital expenditures for urban services. Here is where small independent water and sewer systems are often found. As development begins to fill in the spaces, these local systems compete usually in an uneconomical fashion until they are absorbed by a larger system.

Unplanned development, scattered or leapfrogging over the countryside, can destroy natural open space needed for recreation and other purposes. It can set off a spiraling of public service costs for sewer and water lines, highways, and school bus transportation; also, it can frequently destroy any possibility of an efficient and economic mass transit system.

Many a suburbanite and city dweller is familiar with the garish ribbon along major streets and highways composed of drive-in restaurants, gas stations, car lots, motels, bypassed vacant lots, and an occasional shopping center. A large number of recent court decisions on land use matters has involved zoning along these roads. Pressure for such development and the notion that lots fronting heavily traveled streets are not ideal for any other use sometimes cause even the most high minded

Table XXX

Retail Sales, Inside (CC) and Outside Central City (OCC) Areas in Major Metropolitan Areas, 1963 and 1972, Average by Region

	1963			1972			1972 as a Percent of 1963	
	SMSA	CC	OCC	SMSA	CC	OCC	CC	OCC
East	45,981	22,391	23,590	80,287	30,299	49,988	135.3%	211.1%
Midwest	36,517	19,471	17,046	67,745	27,983	39,762	164.2	233.3
South	20,916	14,824	6,092	48,072	30,090	17,982	203.0	295.2
West	30,258	15,751	14,507	57,835	26,476	31,359	168.1	216.2
Total	133,672	72,437	61,235	253,939	114,848	139,091	158.5	227.1

SOURCE: *1963 and 1972 U.S. Census of Retail Trade*, Vol. II.

Table XXXI

Percent Change in Retail Sales in Major Metropolitan Areas between 1963 and 1972, Average by Region for Metropolitan Area (SMSA), Central City (OC), Suburb (OCC), and Central Business District (CDB)

Region	SMSA	CC	OCC	CBD
East	78.9%	28.5%	118.8%	-1.5%
Midwest	90.5	54.5	138.5	-9.5
South	126.3	107.4	179.8	1.6
West	110.3	82.9	158.0	15.3
Total	103.6	71.5	152.0	5.4

SOURCE: *1963 and 1972 U.S. Census of Retail Trade*, Vol. II.

Table XXXII

Manufacturing Employment Inside (CC) and Outside Central City (OCC) Areas, 1963 and 1972, Average by Region

(amount in thousands)

	1963			1972			1972 as a Percent of	
Region	SMSA	CC	OCC	SMSA	CC	OCC	CC	OCC
East	3,836	2,054	1,782	3,584	1,662	1,922	80.9%	107.9%
Midwest	3,430	1,998	1,432	3,575	1,785	1,790	89.3	125.0
South	1,072	739	333	1,446	926	520	125.3	156.2
West	1,673	811	862	1,857	817	1,040	100.7	128.2
Total	10,011	5,602	4,409	10,462	5,190	5,272	92.6	119.6

SOURCE: *1963 and 1972 U.S. Census of Manufacturers.*

of communities to buckle. A related factor is the tendency of some localities to "overzone" for business – to put long strips of vacant highway frontage in business zones.

In older settled areas, on the other hand, another kind of development problem emerges. The "gray areas" in large cities and in adjacent suburbs are not yet slums, but neighborhoods where signs of deterioration are beginning to appear. Here, pressures develop to allow commercial and residential uses that often cause blight; rooming houses, garages, filling stations, bars, lunch counters, and second-hand stores.

"Gray areas" frequently have highly mobile populations and lack the community cohesion necessary to resist these commercial encroachments. Where rapid transition is taking place in the population – where, for example, middle income and especially white residents are moving out – political influence and involvement often wane. New residents may lack the means and the sophistication to insist on enforcement of housing regulations and to oppose requests for rezoning. Persons anxious to sell and move out may, in fact, encourage a change in zoning to widen their potential market. Once these new uses are permitted and appear, the floodgates usually open wide.

When is Big Bad?

Is there a point in the growth of urban areas where concentration ceases to be an advantage and becomes a serious handicap? Are there important diseconomies of urban scale?

Obviously, it is "more expensive" to live in a city than in a rural area; for one thing, people in cities pay cash for some goods and services that rural residents pay for partly in their own labor. But there are more goods and more services – more amenities – available in cities than in suburbs and small towns, and higher incomes, too. An examination of whether, in fact, "diseconomies" occur after cities grow to a certain size must be very carefully handled. As mentioned earlier, an ACIR study of this question indicated that per capita expenditure for certain public services may tend to stabilize at a significantly higher level in cities over 250,000 population than in less populated places.

The question then shifts to possible diseconomies of metropolitan scale. As made clear earlier, most of the growth in coming decades will come not in the great central cities but in the suburbs and satellite cities around them. Residents in these parts of the metropolis feel that they may capture many of the advantages of urban life without its liabilities. But are there other liabilities which arise from the size of the modern "spread city"?

Big metropolitan areas seem to reach a state of size, "maturity," after which they are no longer attractive to industrial location, and their population growth rate levels off to considerably less than that of smaller metropolises. From this, it might be concluded that the "free market" of locational competition can be counted upon to prevent the development of excessively large metropolitan areas. This would argue against any deliberate governmental effort to influence locational forces, for example, by trying to steer further urbanization mainly toward areas other than the largest ones. But such an optimistic *laissez faire* view might be questioned on several grounds.

First, physical problems may reach crisis proportions well before diseconomies of scale deter further industrial concentration and thereby stop continued population growth. Air pollution – a "sickness of cities" – is an example. The earth as a whole has an enormous volume of air (a million and a half tons per person), with great capacity for containing pollutants. But most air pollution arises in urban centers, which commonly have more than ten times the weight of air-carried particles found elsewhere. Even with present population densities and fuel-using practices, according to the experts, cities "are coming uncomfortably close to using up all their available air,"[20] while a fourfold rise in the capacity of power-generating plants that burn fossil fuels is projected by the year 2000.

It is too early, now, to know what kind of national, state, and local energy conservation programs will be put into effect in response to the energy crisis which developed in the early 1970s. It is possible that one effect of such programs will be to bring about a lessening of urban air pollution through an induced decline in reliance on the automobile. That in turn might trigger a reverse movement in metropolitan settlement patterns back toward the central cities, or at least to suburban areas where some kind of public transportation facilities can be made available.

Secondly, some contend that huge size and complexity make possible private economic efficiency at too great a cost from the standpoint of human values and effective governmental and social institutions. As one writer put it, population concentration in huge urban centers has raised some very serious questions, not only about the impact upon the physical needs to be met, but about the kind of society it implies. Is the multimillion population, urban agglomeration likely to offer the kind of physical, social, and aesthetic environment which will stimulate a rise in the cultural level of the individual and awaken his latent talents for participation in social, political, and intellectual activities? Will such agglomerations achieve societies of high quality and enduring vigor? Does this kind of development offer enough variety and choice for people of the next two generations?

Third, it can be argued that the strong thrust toward increasingly metropolitan growth would be dampened, at least, if government more fully charged the responsible parties for economic costs that arise from concentrated urban development. It can hardly be doubted, for example, that some decisions about the location of particular industrial plants would be different if the owners had to provide for costly installations to minimize their pollution of the air, or to foot the entire bill for highway facilities to deal with the traffic congestion they create.

Such considerations suggest that some of the minuses of large-scale urbanization receive inadequate attention in the myriad of decisions which produce the modern metropolis. This does not, however, offer any directly useful guide to optimum or maximum urban scale, and, as the New York Regional Plan Association has pointed out:

> . . . many of the negative aspects of large city living are not inevitably linked to size but are, rather, socially, institutionally, and politically determined. Their drawbacks can be alleviated or eliminated through the political process by a more equitable distribution of public investment through pricing policies that make individuals more responsive to the consequences of their actions, through technological advance, and through imaginative and rational planning and design.[21]

Until recently, there were no data on the economic costs of the different types of metropolitan development. In *The Costs of Sprawl*, an analysis prepared in 1974 by a private firm for the Council for Environmental Quality, HUD, and EPA,[22] the various economic, environmental, natural resource, and social and personal costs of urban development were integrated. The results of the study show "a surprising consistency: 'planning' to some extent, but higher densities to a much greater extent, result in lower . . . costs for a given number of dwelling units."[23]

Bulldozers, Progress, and People Pushed Aside

The process of urban development, in and out of cities, has meant displacement of large numbers of people, probably more than 100,000 families and individuals annually. This displacement, on more than one occasion, has sparked strong community reactions.

Displacement actions by local governments include urban renewal, public housing construction, and condemnation of substandard structures under local housing codes. State governments also have caused widespread displacement in building state and interstate highways, and both levels have been assisted in these efforts by Federal grant programs. Within metropolitan areas, the brunt of dislocation falls mainly upon the poor, the near poor, the lower middle class, the non-white, and the aged.

Physical change and development – whether under private or governmental auspices – obviously cannot avoid some impact upon those whose homes or businesses are in its path. But government with its unique power of eminent domain has a special obligation to soften the blow and fully underwrite burdens that result from its own developmental and housing related activities. Yet, the record to date indicates that government has only begun to consider the human factor in its ever increasing land acquisition activities.

The Rural Remainder – and Its Plant

The shift from rural to metropolitan America has depopulated farms and drawn young people out of the small towns and the cutover, strip-mined, automated-farming, and mechanized-mining areas of our country.

Many scattered small towns, with underoccupied housing, abandoned or half-used schools, empty streamside factories, and underused utilitiy facilities, present a bleak picture of wasted "fixed plant." The idea is sometimes expressed that some of these towns carry the seeds of expansion and, with assistance, could absorb some of the development that otherwise would occur in larger metropolitan centers.

The 1974 *Report on National Growth and Development* demonstrates, indeed, that since 1970, the decline in rural farm population is being more than offset by an increase in rural non-farm population in those very villages and small towns – especially those in the rural parts of metropolitan areas. Since 1970, out-migration from many non-metropolitan areas has halted. From 1970 to 1973, non-metropolitan areas averaged a greater increase in job growth than metropolitan areas (2.5% as compared to 1.2%), and a greater increase in population growth as well (4.2% compared to 2.9%). "A growth pattern of this type is unprecedented in the modern history of the United States, with the exception of a brief period during the worst of the Depression years."[24]

Over all, the decade 1960-1970 saw manufacturing jobs in a non-metropolitan areas increase about 36 percent, from 3.6- to 4.9-million, whereas metropolitan area jobs in manufacturing increased only about 13 percent, from 13.2- to 14.9-million. Non-metropolitan manufacturing jobs continued to grow between 1970 and 1973, to 5.3-million, but those same jobs in metropolitan areas declined to 14.2-million (see *Table XXXIII*). The large pool of rural unemployed women may have been one factor attracting the location of industry in rural areas. Other factors were probably economic changes in mineral, food, and timber industries which have led to an increased demand for products from rural areas. And the movement of large numbers of people of retirement age to rural areas and small towns has been a factor in increased service industries there.

In the latter part of the 1960s, other factors stimulated non-metropolitan growth: the environmental and youth movements, reactions to problems encountered in big cities, and of course the urban riots in the late 1960s. These factors combined to make major metropolitan areas seem less desirable places to reside or do business relative to smaller-scale cities and towns.

Yet, in many cases, the governmental institutions of rural areas and small town, originally designed to handle the less difficult challenges of an earlier age of greater self-sufficiency, are unable to provide the kind of public services needed today. Local government expenditures per person in many rural jurisdictions are disproportionately high for the frequently inadequate levels of service they provide. To complicate matters, the limited administrative machinery and scarcity of leadership often combine to hinder the planning and development necessary to overcome their handicaps. A further decline in the capacity of many towns and hamlets to support basic public services will hasten the erosion of significant sectors of rural America. With the contradictory trends of a declining farm sector and a generally less favorable position (as compared to metropolitan areas) regarding its educational and health facilities, and its housing, poverty and income levels, and of the recent growth of non-farm population and of jobs, rural America at this point in time faces a highly uncertain future – a future which in various major respects is closely linked to that of her urban brethren.

Within metropolitan areas, the expansion of industry and commerce – especially those of the labor intensive type – along the suburban fringe seems likely to continue, thereby widening the gap between the declining economy of the central city and the dynamic one of many of its suburban neighbors. What growth there has been in central cities has tended to offer employment opportunities in the professional managerial, technical, and highly skilled sectors – in short, jobs for suburbanites.

With the relative drop in central city job opportunities, the migrating poor, less educated, and non-white logically should shift to the suburbs. But the scarcity of older low-cost suburban housing and the barrier of discrimination in the case of minorities tend to sustain the white noose around the central cities. For some migrating poor whites, small settlements along the metropolitan periphery sometimes prove attractive.

THE NATURE OF METROPOLITAN DEVELOPMENT: A SUMMARY

Throughout this brief assessment of the broad contours of the metropolitan challenge runs the general theme of the paradoxical nature of recent urban development. In probing the many facets of this challenge, a series of major public policy questions is encountered, stemming from paradoxes such as

- the emergence of an urban nation, but an economic and social decline in the nation's larger cities;
- the romantic, traditional notion of an America with limitless amounts of land, but an urban America of today with a scarcity of this much needed factor of growth;
- the lyrical ideal of gleaming "alabaster cities," but the reality of blight, slums, and slurbs;
- the venerable Jeffersonian tenet of the resolute and resourceful agrarian, but the here-and-now fact of rural decline;
- the cultural ideal of social heterogeneity but the jurisdictional fact of greater socio-economic homogeneity;
- the presumption that government should be one of the guardians of our collective social consciousness, yet the failure of government to attack the problems of urban growth generally and the reality of governmental insensitivity when it proceeds to acquire land; and

Table XXXIII

Employment Changes in the United States, by Metropolitan Status, 1960 to 1973

Location of Employment and Industry	Employment			Average Annual Change: Number		Average Annual Change: Rate Per 100 Persons	
	1973	1970	1960	1970-73	1960-70	1970-73 Percent	1960-70 Percent
Metropolitan Areas[1]							
Total Employment	62,591	60,409	47,527	727	1,288	1.2%	2.4%
Nonfarm Wage and Salary	56,428	54,183	40,953	748	1,323	1.4	2.8
Goods producing	17,099	17,599	15,440	−167	216	−1.0	1.3
Manufacturing	14,214	14,887	13,248	−224	164	−1.5	1.2
Mining	226	227	241	[3]	−1	−.1	−.6
Construction	2,659	2,485	1,951	58	53	2.3	2.4
Service Performing	39,329	36,584	25,513	915	1,107	2.4	3.6
Trade	12,375	11,579	8,579	265	300	2.2	3.0
Service Groups	10,034	9,149	5,667	295	348	3.1	4.8
Finance, Insurance, and Real Estate	3,382	3,113	2,237	90	88	2.8	3.3
Transportation, Communications and Utilities	3,600	3,590	3,153	3	44	.1	1.3
Government	9,938	9,153	5,877	262	328	2.7	4.4
Other Non-Farm[2]	5,368	5,396	5,474	−9	−8	−.2	.1
Farm	795	830	1,100	−12	−27	−1.4	−2.8
Non Metropolitan Areas[1]							
Total Employment	22,895	21,232	18,483	554	275	2.5	1.4
Non-Farm Wage and Salary	17,896	16,213	12,157	561	406	3.3	2.9
Goods Producing	6,501	5,971	4,578	177	139	2.8	2.7
Manufacturing	5,265	4,909	3,651	119	126	2.3	3.0
Mining	386	379	450	2	−7	.6	−1.7
Construction	850	683	477	56	21	7.3	3.6
Service Performing	11,395	10,242	7,579	384	266	3.6	3.0
Trade	3,603	3,112	2,450	164	66	4.9	2.4
Service Groups	2,360	2,127	1,402	78	72	3.5	4.2
Finance, Insurance, and Real Estate	552	478	359	25	12	4.8	2.9
Transportation, Communications, and Utilities	928	868	857	20	1	2.2	.1
Government	3,952	3,657	2,511	98	115	2.6	3.8
Other Non-Farm[2]	2,641	2,609	2,773	11	−16	.4	−.6
Farm	2,358	2,410	3,553	−17	−114	−.7	−3.9

[1] Metropolitan areas essentially as defined in January 1972.

[2] Self-employed, private household workers, and unpaid family help.

[3] Less than 500 persons.

SOURCE: Adopted from state employment security agency estimates by Economic Research Service, USDA.

- the elemental American democratic precept of equal opportunity, but the evident geographic, transportation, and housing barriers facing many of the disadvantaged in rural and core-city America, severely restricting their freedom of choice.

THE ACIR THEME OF BALANCE

What steps can be taken to resolve these tough paradoxical problems? Several of these difficulties have been probed in various Commission reports.[25] While these reports, for the most part, tackle separate sectors of the overall urban development dilemma, a broad underlying theme of balance pervades each of them – and this, in turn, envelops certain inferred pivotal ideas that condition the Commission's approach to recommending specific solutions to specific urban problems. Among these ideas are the following.

- The nature of the urban development crisis is so vast, so complex, and so great a challenge to political and governmental ingenuity and courage that no one of the traditional levels of government has the talent, the time, the funds, and the power to cope successfully with it alone; hence a balanced, multilevel approach is needed.

- In a physical sense, vast *metropolitan economies* have emerged in recent years, but most of these are not *metropolitan polities* in the sense of communities with common social and economic institutions, a common governmental system, a citizenry having a sense of community that embraces the area as a whole; instead, these metropolitan entities are fragmented jurisdictionally, fiscally, socially, and economically, and most of their citizens are moving at a very slow pace toward recognizing the problems and opportunities they share with fellow citizens in the area; any attempt to reconcile the traditional governmental and fiscal arrangements with the fact that many problems can only be solved by joint action must be a balanced effort; any approach that fails to consider simultaneously the fears as well as the hopes of the nation's urban citizens and their governments – the traditional institutions as well as innovative devices and programs, plus the varying and always slow pace of attitudinal change with respect to metropolitan awareness – will fail.

- Strong special interest pressures both in the private and public sectors are a critical conditioner of the suburban situation – whether it be in the area of land use, construction, governmental acquisition of property, program planning, special purpose authorities, or public finance; an equitable balance must be struck between these forces and those seeking a broader, more representative, longer range, more responsible vision of the public good in our metropolitan areas.

- In terms of geography and legal and fiscal authority, the states are in a unique balancing position to move in a number of constructive ways to provide assistance and leadership on the urban frontier: as sources of direct fiscal and program initiatives, as expanders of the local revenue base, as umpires of interjurisdictional bickering, as possessors of strong actual or potential power in the land use and urban development areas – in short as legal parents of metropolitan governmental jurisdictions – the states can and must be confronted with an agenda of responsibilities relating to achieving a more viable pattern of urban growth.

- Finally, given the fiscal, administrative, political, and moral power of the national government, this level cannot escape its roles as balancer, stimulator, abettor, reconciler, and in some instances, direct intervenor in the urban problems of the nation.

The recommendations that follow are linked by the broad theme of balance, and they reveal the Commission's general preference for the precepts discussed above. The proposals involve

- ending the balkanization of building requirements through such measures as (a) the use of performance standards, (b) a program of building research assisted by both Federal and state governments, (c) establishment of a single national advisory model building code, (d) state enactment of model code and product approval procedures, and state licensing and training of building inspectors;

- aiding people displaced by urban change by the adoption of uniform and equitable relocation policies by the Federal government and the states;

- improving urban development planning and land use regulation through (a) providing responsible metropolitan planning bodies; (b) strengthening and systematizing Federal planning requirements and related provisions; (c) curbing "fiscal zoning" practices; (d) upgrading local land use and development controls via state authorization of "planned unit development," "official map," and other techniques; (e) authorizing state regulation of land use at points of access along major highway rights-of-way under certain circumstances;

- formulating urban development policies including (a) establishing a national balanced urbanization policy with industrial location, manpower retraining, uniform public assistance, resettlement, and large-scale urban development provisions; (b) related revamping of multistate planning and development agencies; (c) development of state urbanization policies; and
- exploring new public approaches to urban development including (a) alternative approaches to influencing industrial location; (b) varying ways of neutralizing factors sustaining adverse migration trends and of strengthening factors geared to viable dispersion; (c) an assessment of the diverse indirect and direct ways the Federal government and the states can fashion a meaningful large-scale urban and new community development component of their respective urbanization policies.

The central thrusts of these recommendations will be discussed in the following pages.

ENDING THE BALKANIZATION OF BUILDING REQUIREMENTS

Public regulation of building construction interacts with several of the problems of metropolitan development. Such regulation operates mainly through building codes enacted by local jurisdictions, as an exercise of the police power under grants of authority from the states. Fragmentation of building regulations among local units of government requires thousands of individual adjustments in building methods, thereby inhibiting large-scale production and large-scale housing research which might lead to less expensive home construction. The restrictiveness of most codes severely inhibits builder innovation and imposes additional costs.

Building Codes in Chaos

A study by the National Commission on Urban Problems (Douglas Commission) showed the widespread, decentralized, and diverse nature of lcoal building regulation within metropolitan areas. It found that less than half of all local governments had adopted building codes by early 1968 (see *Table XXXIV*). Forty and one-half percent of the 7,609 local governments within SMSAs had not adopted such codes. In a further breakdown, the study showed that 69 percent of the municipalities within SMSAs had adopted building codes, while 61 percent outside SMSAs had adopted codes. An ICMA survey in 1970 revealed that 96.7 percent of the sampled cities utilized building codes. The

Table XXXIV

Proportion of Local Governments Adopting Building Codes, 1968

	Number of Governments	Percent Adopting Building Codes
Total	17,993	46.4
Within SMSAs	7,609	59.5
Outside SMSAs	10,384	36.8
County Governments	3,049	13.6
Within SMSAs	404	39.4
Outside SMSAs	2,645	9.7
Municipalities	9,984	64.9
Within SMSAs	4,977	69.0
Outside SMSAs	5,007	60.9
New England-Type Townships	4,960	29.1
Within SMSAs	2,228	41.9
Outside SMSAs	2,732	18.7

NOTE: The "total" number of communities tabulated in the Douglas Commission study relates to governments subject to sample survey representation, and this omits (a) all municipalities and townships of less than 1,000 population located outside of SMSAs; and (b) township governments located in states where these governments lack municipal-type powers.

SOURCE: The National Commission on Urban Problems, *Local Land and Building Regulation*, Research Report No. 6, (Washington, D.C.: 1968), p. 24.

record of New England-type townships was poorer: 41.9 percent within SMSAs and only 18.7 outside SMSAs. Finally, the survey shows that county adoption of building codes is even worse, with only 39.4 percent of these jurisdictions within and 9.7 percent outside SMSAs reporting adoption.[26]

Traditionally, each jurisdiction, large or small, has had the right to determine its own building code provisions. The 1960s, however, "were years of code transition, of greater utilization of model codes, and of a move away from locally based codes. . . . In 1970, according to the ICMA survey, 72.8 percent of the cities [surveyed] fashioned their codes upon one of the four model codes. State-based codes were used by 13.5 percent of the cities and locally drafted codes by 10.8 percent."[27] Some of the locally drafted building codes have been copied to a considerable degree from that of a larger jurisdiction, but some are based on the *Federal Housing Administration Code.*[28]

But the majority of them are modeled on the *National Building Code*, drafted by the National Board of Fire Underwriters; the *Uniform Building Code*, drafted by the International Conference on Building Materials; the *Southern Building Code*, drafted by the Southern Building Code Congress, and the Building Officials and Code Administration Conference of America's *Basic Building Code*. To a large extent, the choice of which code to use as a model depends on geography; the *National Building Code* is not relied on much in the West, where the *Uniform Building Code* is used predominantly. The *Southern Building Code*, as its name suggests, is primarily relied on in the South, while the *Basic Building Code* is heavily used in New England. The ICMA survey also found that "the choice of code is significantly determined by the existing form of local government." A vast majority of council manager cities (80%) relied on a model code, while a much smaller percentage of mayor-council cities (59.1%) did, the latter choosing to rely more (18.8%) on locally drafted codes.[29] A good many states have developed model codes as guidelines for local codes, and a few have enacted compulsory state codes.

The various model codes reflect general agreement on many aspects of construction. If the provisions of a model code were applied fully and consistently by local governments, diversity would be greatly limited or rendered insignificant. However, this is not the case. Half of the regulating places of 5,000-plus population, it is estimated, have a code based "closely" on a model code, but many have made important departures from the model. To complicate matters, only about one in four of those working from a model keep their codes up to date by incorporating changes recommended by the code organizations themselves. Thus, many of the reported "model code" jurisdictions actually prohibit various construction features that actually are permissible under the model codes. Jurisdictional fragmentation, a balkanized building industry, conflicting private interests, and oblivious public opinion – these are some of the elements of the costly, chaotic building codes picture found in most urban settings.

Local building code practices have been criticized vigorously for years. Among the charges most frequently made are these:

- Local building codes regulate construction extensively by reference to particular materials, rather than in terms of performance requirements, thereby tending to favor traditional products and methods as against innovations that might perform as well or better at less cost.
- Extreme decentralization of building code powers makes it possible for small enclaves to impose excessive standards which may effectively "zone out" new building materials and construction methods, and thereby add to the cost or urban housing.
- Local building codes are intimately related to community politics. It is difficult for even the best intentioned local governing body, which lacks access to objective technical advice, to detect regulative proposals selfishly designed to favor the construction industry or labor groups.
- Builders and developers incur a considerable burden and expense in tracing and complying with the great diversity of local regulations.

Builders' testimony to the Douglas Commission (in 1967) cited examples of extra costs running to several hundred dollars or more per house as a result of local building codes which were more exacting than those of immediately neighboring parts of the same metropolitan area. Diverse regulations also hamper large-scale operations and standard marketing approaches, and this can hike costs. While land and financing costs are also important factors, the manner in which the industry is organized should not be ignored. An estimated 125,000 building contractors, most of whom are small-volume businesses and are operating in a single metropolis, may be the most critical single factor in this high cost of housing practice.

No one really knows how much extra cost code diversity creates within a metropolis. When Herbert Hoover was Secretary of Commerce in 1922, he told Congress that the nation's conflicting, outdated, building codes of that day were boosting the cost of housing by 10 percent or more. Later estimates are that the crazy-quilt pattern of building codes swells the cost of a house from $1,000 to $2,500.[30] But, whatever the estimate, code diversity is almost certainly hindering the growth of large builders who could hire a large and permanent work force and concentrate more on innovative and low-cost building techniques.

To deal with these problems, the ACIR made a number of specific proposals in its 1966 report, *Building Codes: A Program for Intergovernmental Reform.*[31] In the study leading up to that report, ACIR examined the intergovernmental problems of building code preparation and administration, including maintaining up-to-date code provisions and uniformity of requirements among code jurisdictions. The emphasis of the report was on the impact of building codes on dwellings, rather than on commercial and industrial structures, because of the broad, general interst in the availability of housing for all economic and social groups. The provisions of building codes significantly affect such availability.

Better Construction Research Needed

In order to provide a better basis for increased use of performance standards in the public regulation of construction, the ACIR urged that Congress authorize and finance an immediate cooperative program, drawing upon recognized public and private efforts, to develop national performance criteria, standards, and testing procedures for building construction.

Many individuals and groups concerned with building have developed performance requirements for building materials which can be incorporated into codes, and each segment of the building industry has developed its own approach for application to its own special requirements. While these individual approaches are legitimate and necessary, progress has been slow. Marshalling the collective effort of the entire building industry could permit more widespread application of the performance concept. Thus, the Commission recommended:

> . . . that a continuing national program of building research be established to (a) identify and define areas within the building field requiring research; (b) fill gaps in existing knowledge through encouragement and support of research; (c) formulate a continuing program for the integration and continuity of knowledge and experience; and (d) provide for demonstration projects that would contribute significantly to building technology.[32]

Because of the potential importance of the Federal role in stimulating building technology, the Commission urged "that the President direct Federal agencies having major policy program responsibilities for construction and urban development . . . to cooperate in developing knowledge applicable to the solution of building problems."[33]

A national building research program is needed to accompany development of the "performance standard" concept. Current research, as diverse as it is, generally reflects a narrow range of interests. Government, industry, academic institutions, and nonprofit research and professional institutions all carry on separate and often uncoordinated programs.

The Commission's recommendations were implemented in part by Section 1010 of P.L. 89-274, which directs the Secretary of Housing and Urban Development to conduct research and studies to test and demonstrate new and improved techniques and methods.

A Role for the States

The states, too, have a potential role in construction research, and ACIR has recommended that state agencies and institutions of higher education actively promote research programs, including establishment of a technical information service for public officials and private businesses.[34]

The state-sponsored program should complement the national program. State universities have a special position and responsibility to encourage research in building construction. They are, after all, ideally suited to bring together government, industry, labor, and community groups to focus on problems of building technology. Especially appropriate fields for state research are those arising from the special geographic, climatic, and economic characteristics of particular regions.

Greater Uniformity of Building Requirements

Progress toward this objective requires action at all three levels of government. The Commission recommended two major types of Federal action. The President was urged to appoint a drafting group "representing all levels of government to develop a model code with the participation of the model code groups and other interested public and private groups."[35] The drafting group should be charged with recommending "appropriate permanent machinery for keeping the code revised and up-to-date as well as a products approval program to certify new products as to their conformance with code provisions."[36]

Despite the current Federal involvement in various efforts to achieve better housing technology – including research, testing, and some technical help with code drafting – a Federally sponsored nationwide model code has long been the subject of hot controversy. Most of the building industry agrees that the Federal government ought to spend much more than it does on building industry statistics, but the industry generally has viewed governmental involvement in building techniques and methods with some alarm, fearing that administrative or legislative actions in this area might lead to favoring one building product over another.

The ACIR, however, concluded that the need is pressing enough to warrant the establishment of a voluntary national model building code. The development of such a code, of course, would require the advice and assistance of model code groups and representatives of consumers, users, builders, architects, labor, and all levels of government. A national code commission could bring together persons of high reputation and competence from interested public and private groups, representing many different points of view, without domination or appearance of domination by the Federal government.

The Federal government has not responded directly to the Commission's recommendation, but in a number of ways, it has moved in that direction. Section 701 of the *Housing Act of 1954*, as amended, provided Federal assistance to county governments for code modernization; the "workable program" concept in the urban renewal program required localities to adopt a building code based on a national model before becoming eligible for urban renewal funding; HUD's Operation Breakthrough sponsored the development of four sets of housing design criteria by the National Bureau of Standards, the National Academy of Sciences, and the National Academy of Engineering to be used in testing industrialized housing systems for certification (criteria which set forth performance standards rather than specifying the materials and methods to be used); the National Bureau of Standards is working with the National Conference of States on Building Codes and Standards, an organization developed largely at National Bureau of Standards instigation, to make effective state building codes a reality; and the Federal Trade Commission is currently studying the restraint of trade aspects of building codes with an eye to how they impact on consumer protection. As a step to improve the housing supply, the Department of Housing and Urban Development in 1972 launched a campaign to upgrade and modernize building codes, which, in many jurisdictions, prohibit the use of new building materials and factory-built housing, and thereby limit new approaches to meet housing needs. HUD set an end-of-the year deadline for code improvement in certain cities, some of which had been told that they faced the loss of urban renewal grants for noncompliance. And an act creating a mechanism for the development of building sciences was passed by Congress in August 1974 (P.L. 93-383).

A New National Institute

The idea of a National Institute of Building Sciences was several years old by the time it was incorporated into law. The Advisory Commission on Intergovernmental Relations endorsed Senator Jacob Javits' bill to that end when it was before the 93rd Congress, as did a number of other organizations and publications. The bill was premised on the conviction that "the existence of a single authoritative nationally recognized institution to provide for the evaluation of new technology could facilitate introduction of [building] innovations and their acceptance at the Federal, state, and local levels."[37] The institute created by the act is designed as a non-profit, non-governmental instrument, its creation to be initiated by the Federal government, with the advice of the National Academy of Sciences, the National Academy of Engineering, and the National Research Council, as well as of the various sectors of the building community – including labor and management, technical experts, and representatives of the various levels of government. The board of the institute represents the various segments of the building industry, the various regions of the county, and consumers. It leads the institute in three main functions and responsibilities relating to building regulations:

- development, promulgation, and maintenance of nationally recognized performance criteria, standards, and other technical provisions for the maintenance of life, safety, health, and public welfare – suitable for adoption by building regulating jurisdictions and agencies. These include test methods and other evaluative techniques relating to building systems, subsystems components, products, and materials, and they are to reflect due regard for consumer problems;

- evaluation and prequalification of existing and new building technology; and
- assembly, storage, and dissemination of technical data and other information directly related to building sciences.[38]

It is not expected that the institute will develop a large staff to carry out its functions, but rather that it will work through arrangements with other private and governmental agencies and entities, and will serve as a coordinating force. The institute was directed by Congress to give particular attention to devising ways to encourage the cooperation of all sectors of the economy to accept and use its findings and recommended code provisions. But it was given no power to enforce such acceptance and use, even on units of the Federal government itself. The act does provide, however, that the institute may carry on programs specifically designed to encourage state and local governments to modify their codes in accordance with institute recommendations, and that it may offer assistance to the states for the development of in-service training programs for building officials and state technical advisory services to aid local governments interpreting the codes developed and recommended through the institute. What the contribution of the institute will be, of course, remains to be seen.

The full potential of a national model code can only be realized if the model is widely adopted throughout the nation. Federal and state actions to promote that objective are set forth in ACIR recommendations. At the Federal level, the Commission recommended that all construction agencies, such as the General Services Administration and the Department of Defense, plus agencies responsible for establishing standards over Federally aided constructions, such as the Federal Housing Administration and the Farmers Home Administration, should apply consistent standards wherever possible.[39] This would directly affect a significant portion of the construction market in the country and would, in addition, serve as a "yardstick" in influencing decisions regarding the regulation of all construction.

As a consequence of this recommendation, the U.S. Bureau of the Budget set up an interdepartmental study group to consider ways to make Federal agency standards more uniform. Several steps in this direction that might be taken by Federal agencies on an individual basis were suggested.

State and Local Roles

State governments and their local units obviously occupy a key position in efforts to modernize building codes and to achieve uniformity. Federal action can be significant where direct Federal construction and Federal grant or loan programs are involved, but still will not directly touch the great bulk of the nation's building construction activity. The broad police power to regulate all phases of building construction, after all, is lodged at the state and local levels.

Thus, legislation was recommended by the ACIR that would authorize and direct a state agency to prepare and promulgate a comprehensive model building code.[40]

By 1975, about a third of the states had some form of state code in effect – twenty of them covering only industrialized housing – and virtually all the other states had studies on the subject underway or legislation pending. Connecticut took sweeping action in making all communities in the state subject to the code's provisions, and Virginia followed suit in 1972, establishing a major statewide building code to cover all types of structures both private and public. State certification of new materials and techniques is binding on localities. North Carolina's state code permits local variations, but only within a specified range, and all local variations must receive state approval. The Connecticut code makes the same provision. The most common state codes so far enacted set minimum standards only and have a number of exceptions, usually one or two family dwellings and/or (as in North Carolina) any rural or farm buildings.

In related recommendations, ACIR also urged that state and local agencies responsible for construction programs "... incorporate the standards of the state model code as their rules and regulations for public construction."[41] State loan and grant program policy might be conditioned upon local government conformance of aided projects to the state model code.

The development of a state code could be a major step toward more modern and uniform building regulation. The state can maintain its own research facilities and a staff of trained architects, engineers, and other specialists. It could evaluate new building materials and devices, and accept appropriate standards, model codes, and product approvals of national groups to keep the state abreast of the developments of the building industry. State-level testing of new products and new methods would bypass cumbersome local processes, as well as occasional local reluctance to entertain new ideas.[42]

Recognizing that some states may not be prepared to enact legislation for a state model code, the Commission outlined an alternative approach which would work toward uniformity through a state construction review agency. In the words of the Commission proposal, this would involve:[43]

> legislation creating a building construction review agency at the state level to consider appeals by affected parties from the decisions of local government. Through its decisions the review agency would establish uniform interpretation of standards.

Such an arrangement would be designed to facilitate the introduction of new materials of construction and building systems by providing an alternative to the costly and time-consuming procedures of approval established in each individual community.

Most local building codes provide some type of machinery for local appeal from the decisions of the administering officials, and well drafted codes also include specific provisions for court review. Yet, the availability of a state appeal agency should not only help prevent arbitrary or discriminatory action locally but, in time, promote greater consistency in code provisions and their interpretation by various jurisdictions.

As an alternative to a statewide appeals body, state legislation might provide for a review agency to deal with metropolitan areas only. This would promote greater uniformity where problems of diversity are most troublesome, without affecting the traditional structure of local building code adoption, interpretation, and enforcement elsewhere in a state.

Much of the existing variation in building codes is a result of local departures from model code provisions. To help meet this immediate problem and until development of a national model and additional state model codes, the Commission recommended that "the states enable local jurisdictions to adopt a recognized uniform building code by reference and permit future changes in the recognized model code to be adopted by administrative action."[44]

This proposal, if adopted, would greatly facilitate keeping local codes up to date.

Improving Administration of Building Codes

Effective enforcement of building regulations depends largely upon the competence of building officials and inspectors. The Commission recognized this and urged that a state supervisory agency be empowered to establish professional qualifications for building inspectors and license candidates as to their fitness for employment on the basis of examinations given by it, or of examination satisfactory to it given by a state or local agency. The state agency should be able to revoke licenses for good and sufficient cause.[45] State salary supplements for local building code inspectors would compensate for the higher pay scales that probably would result from the licensing program.

Many local building officials are not qualified at present to administer a performance-type code. The ICMA survey found that few professionally trained people were involved in code administration, though some improvement in the situation is taking place. While these officials might deal competently with traditional buildings, advances in building technology demand more expert knowledge of a wide variety of building practices and materials. The ACIR, therefore, urged state-supported programs for the training of building inspectors.[46] Pre-entry and in-service training is an indispensable prerequisite for effective code enforcement. State support and Federal grants-in-aid to states under Title VIII of the *Housing Act of 1964* could help underwrite the cost of such training.

Development Programs and the Displacement of People

Recently there have been calls for righting the human damage caused by urban physical growth in the United States. So far as possible, improvement in the lives of the majority should not come at the cost of uncompensated loss for the minority. This tenet presumably should apply when government acquires private property to advance public programs.

But does it?

Inevitably, people are displaced by public action in urban areas: by highway construction, central city renewal, housing code enforcement, and the construction of schools and other public works. Much of this action causes demolition, and takes place in older, more rundown parts of the metropolitan area – above all in the core city. It displaces the low-income tenant and homeowner, and the owners of small businesses who need low-rent quarters to survive. These are the people who find it hardest to relocate, because the supply of low-cost housing and store sites are diminished by the very program that displaces them, and also because, too often, their color effectively limits their choice of living areas.

Renewal and Relocation

The total number of people displaced by the accelerating pace of demolition and reconstruction in recent years is difficult to estimate. Nevertheless, it has been estimated that from 1964 to 1972 the Federally aided urban renewal and highway programs alone dislocated 825,000 families and individuals plus 136,000 businesses. These programs accounted for about 65 percent of the people and about 90 percent of the businesses displaced by governmental action in urban areas. A study undertaken by the National Association of Home Builders (NAHB) put the total amount of housing demolished because of public action between 1950 and 1968 at 2.39-million dwelling units! The greatest bulldozers have been the Federally aided programs of urban renewal, highways, and public housing, and the local enforcement of housing codes. The NAHB study estimated that demolition by private action totaled almost as much – another 2.35-million.[47]

Of course, all this is not a net loss. Much private and public housing has been built on urban renewal and other publicly provided sites, and when private owners tear down buildings, it is often to replace them with apartments. But the match for the residents, both in price and quantity, between what was there and what goes up instead is not very close. Commonly, former residents are never able to live in their old neighborhood again.

The housing demolished has primarily sheltered the poor, the near poor, and the lower middle class. Public housing construction and most urban renewal naturally occurs in areas with large amounts of substandard housing where, by definition, few of the upper income groups live and where, according to a study undertaken for the National Commission on Urban Problems, at least 57 percent of the families are poor.[48] Highways also tend to push through the lower income parts of cities, partly because the property values there are often lower than in the better sections, partly because the residents have been less articulate and effective in their opposition, and partly because these residents reside in centrally located sections of their cities.

The future will very likely continue to call for more demolition in the wake of urban development, redevelopment, and highway or transit construction. Additional demolitions will take place from local code enforcement.

Adopting Uniform and Equitable Relocation Policies

In its 1965 report on relocation,[49] ACIR found great inconsistencies in provisions for relocation assistance among levels of government and among programs at the same level. As a result, a family at that time could be displaced by a state or local public works project and receive no moving expense payments or advisory assistance, while a family across the street, displaced by a Federally aided urban renewal project, would be reimbursed for moving expenses and receive governmental help in locating a new residence. These are serious problems even where governments make earnest efforts to provide relocation assistance. According to a survey taken by ACIR and the United States Conference of Mayors, the single most important obstacle to speedy and humans relocation is the inadequate supply of housing, both private and public, for low income groups – particularly for non-whites, the elderly, and large families. Many cities have delayed their property acquisition for urban renewal because they cannot find housing for the people who would be displaced. This prompted the Commission to recommend:[50]

> . . . that Congress require that state and local governments administering Federal grant-in-aid programs assure the availability of standard housing before proceeding with any property acquisition that displaces people. This requirement should be at least comparable to that in existing Federal urban renewal legislation, assuring that (a) there is a feasible method for temporary relocation of displaced families and individuals, and that (b) there are or are being provided standard housing units at least as great in number as the number of such displaced families and individuals, available to them, within their financial means, reasonably accessible to their places of employment, and in areas that are not generally less desirable in regard to public utilities and public and commercial facilities than the areas from which they are displaced.

Legislation to establish this requirement was enacted in 1970 (PL 91-646).

The Commission also urged states to enact equivalent legislation for state and local programs,[51] and there has been a good response (substantially encouraged by the Federal relocation law cited above). For example, California now requires assurance of replacement housing in redevelopment projects; Massachusetts requires a showing of availability of housing wherever the occupants of more than five units are displaced by any project; New Jersey requires certification that a workable relocation assistance program exists before any displacing action can occur, and the program must include assistance in obtaining comparable replacement housing; and Michigan requires that relocation for urban housing projects composed of 200 or more units provide housing within the new project for the former residents.

In a number of states, general statutes now require relocation payments in cases where requirements differ from those in Federal renewal programs. In other states, state law requires relocation efforts be made for specific projects, as in Rhode Island, for example, where payments for displacements caused by reservoir construction are required by state law.

Even where an adequate supply of housing exists, however, it may be unavailable to displaced families because of racial discrimination. With the general problem of racial barriers in mind, the Commission in a 1965 report urged the Federal government and the states to cooperate in enforcing Federal and state laws against discrimination in housing.[52] The *Civil Rights Act of 1968* prohibits racial or religious discrimination in the advertising, sales, or rental of about 80 percent of all housing. In June 1968, a Supreme Court ruling (*Jones v. Mayer Co.*) forbade racial discrimination in the sale or rental of property, and this ruling provides injunctive relief for citizens.

Yet, the existence of these two strong legal weapons probably will not ensure rapid disappearance of discrimination in access to housing. Where arbitrary action continues, only the slow process of appeal and affirmative marketing programs will overturn the practice.

Until the enactment of the *1968 Civil Rights Act*, the effectiveness of state laws against discrimination in housing depended to some extent on cooperation with Federal agencies aiming at the same goal. Individual states had been working out "memoranda of understanding" starting in 1963. The 1968 act superseded state and local laws, but where state laws are in substantial conformance with the Federal statute, agreements can be worked out to enforce the law at the state level.[53]

Cost can be just as effective a barrier to procuring housing for low-income groups as discrimination. In 1965, the Commission suggested several actions to help ease the supply of low-cost housing,[54] and Federal laws have implemented them since: authority for lease or purchase of existing private housing by public housing authorities; rent supplements to low income families which permit them to move into housing owned by private non-profit owners; and grants to private organizations to help them build or otherwise provide low-cost housing.[55]

From the standpoint of the man displaced, his injury is the same no matter who inflicts it, and in equity he should receive the same money, the same counseling and assistance, and the same access to comparable housing – whether he is displaced by the Federal, state, or local government. These governments now have recognized this principle, and the great variations in benefits from program to program and jurisdiction to jurisdiction which used to exist are being diminished under the Federal and state uniform relocation laws enacted in conformity with ACIR recommendations. These laws provide uniform relocation payments and advisory assistance for persons and businesses displaced by Federal grant-in-aid and direct programs, and the Federal government has formulated uniform regulations for carrying out these provisions.[56]

The uniform relocation policies for all Federal and Federally assisted projects, established by Congress with the passage of the *Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970* (P.L. 91-646), required that by July 1, 1972, all states must have provided substantially the same relocation benefits and advisory assistance as that required of Federal agencies for persons displaced by Federally aided projects. Establishment of uniformity among Federally aided state and local programs, however, still leaves the problem of inconsistencies and inadequacies among other state and local programs. As noted above, ACIR recommends that the states assume similar responsibility for establishing greater consistency and equity in the relocation practices of state and local programs, and the Commission so recommended.[57]

Local government displacements are much more substantial than those of the states. They result from housing code enforcement, school building, and various property acquisitions for parks, streets, off-street parking, and general public works. Thus, the mayor of Baltimore testified before the Senate Subcommittee on Intergovernmental Relations in 1969 that non-Federally assisted projects would displace 15 to 20 percent of the 10,000 families and 1,500 businesses to be displaced in the next six years in his city. The ACIR-U.S. Conference of Mayors 1964 survey found that one-half of the cities reporting were paying relocation expenses on local projects.

ACIR's draft uniform relocation assistance legislation to implement the Commission's recommendations provided for a uniform state and local policy.

While the Commission's proposal that Federal grant programs pay the full costs of relocating a home and up to $25,000 to any relocating business – with the business relocation costs in excess of that amount being shared according to the cost-sharing formula governing the particular program – was enacted in the 1970

Uniform Relocation Act, Congress allowed that portion of the act to expire in 1972. Since then, federal aid for relocation has been determined on a formula basis. Full funding needs to be restored and made permanent.

Even so, in FY 1972, 40,000 claimants received relocation payments of more than $115-million; in FY 1973, 76,000 claimants received payments totaling $389-million; in FY 1974, 124,000 claimants received $353-million; and predictions were that in FY 1975, payments would total some $469-million.[58]

Federal grant programs administered by the Department of Housing and Urban Development also reimburse localities for any household moving expenses of displacees and business moving expenses. Reimbursements under highway programs paid out of local funds require a state contribution on the same matching basis as the overall project costs.

Similarly, in state-financed or aided programs, the Commission urged that the states share in local relocation costs when they are incurred in programs involving state aid or Federal grants to which the state contributes a portion of the local share. Several patterns have been followed by the states which have adopted laws to assist in local relocation costs. Ohio and North Carolina have authorized state sharing in displacement costs of highway programs; Indiana and New Jersey have provided state aid for relocation under a uniform aid program; and Alabama aids highway displacees directly.

Better administration of relocation assistance would greatly ameliorate the ill effects of displacement. To this end, the Commission proposed that Congress and state legislatures assign to administrative agencies responsibility for determining the amount of relocation payments, subject to specific statutory maximums. OMB has been given responsibility for executive branch leadership in the Federal government in the implementation of its *Uniform Act*. With its interagency Relocation Assistance Implementation Committee, it has initiated a number of actions to improve the administration of the act. Federal Regional Council uniform relocation assistance (and real property acquisition) coordination activities are being carried out; the ten Federal Regional Council groups are undertaking such programs as necessary to ensure continuing coordination and information sharing among the various Federal, state, and local agencies concerned with the *Uniform Act*. During FY 1974, the Relocation Assistance Implementation Committee developed a procedure to resolve differences between the agencies. Under this procedure, ten agreements dealing with interpretations of, and procedures for, more effectively carrying out the provisions of the act were concluded. A pilot test of the feasibility of prescribing standard forms to be used by displaced individuals applying for benefits authorized by the act was conducted in selected agencies, and the results showed that the forms were feasible for direct Federal programs, but were not feasible for all Federally assisted programs. After revision, however, their use will be encouraged in the latter type of programs. In order to ensure that teach displaced person receives full and complete information concerning the benefits available under the act, a standard information brochure has been developed. This brochure describes the benefits available under the act and the eligibility requirements that must be met to claim benefits. No doubt the main reason for the rapid rise in the number of claimants and of total benefits in recent fiscal years is explained by the efficacy of this brochure.

Federal Management Circular 74-8 (issued by the General Services Administration on October 4, 1974, to replace *OMB Circular A-103*) contains the guidelines for agency implementation of the act, discusses the role of the Relocation Assistance Implementation Committee, provides for Federal Regional Council activities under the act, relieves the Department of Housing and Urban Development of its role in reviewing the annual reports of the agencies covered by the act, and incorporates ten agreements concerning agency differences.

The *Third Annual Report* of this program indicated that the primary criticism directed toward the act "has been expressed on behalf of displaced small businesses. Agencies are not able to deal with the problems of displaced businesses as successfully as they can deal with those of individuals displaced from their homes."[59] The Federal government has been working to try to alleviate this problem.

All of this suggests that, on the part of the Federal Government at least, the relocation problem is being met forthrightly.

As far as the states are concerned, the record is more mixed.

On the local level, the Commission urged that Federal, state, and local governments authorize and encourage all agencies causing displacements in urban areas to centralize in one agency in each major urban jurisdiction the jobs of (a) determining the availability of relocation housing and the types and amounts of housing needed, (b) administering payments to displaced persons and businesses, and (c) providing counseling, information, and other assistance to such displacees.[60]

In focusing on the inequities and inanities of governmental relocation programs, the Commission has demonstrated that sound public administration need not necessarily conflict with sensitive and humane public

policy. On the contrary, in urging simplification and standardization of the many existing programs, the Commission has sought to humanize government – especially urban government – at a time when it appears to many as cold and impersonal.

URBAN DEVELOPMENT PLANNING AND LAND USE REGULATION

Urban land is an enormously valuable national resource, but given the American approach to urban planning and land use regulation, one might assume its supply is limitless. But when one considers that of all the land in the United States, some 32 percent is forest; 12 percent is marsh, sand, bare rock, desert, or tundra; 48 percent is pasture or grazing land; and 4 percent is for recreation and wildlife use, the amount which can be devoted to urban uses without restricting other uses is obviously limited.

Local governments are directly concerned with urban land use in two major ways: (1) through their own land needs for streets and roads, parks, and other public facilities – altogether typically demanding nearly one-third of the land area in sizable cities;[61] and (2) through their power to regulate private uses of land in the interest of public safety and welfare. The latter is most clearly reflected in local zoning ordinances, pioneered in 1916 by New York City and now applied in practically all incorporated places of consequential size as well as by a good many county governments. A related development has involved the widespread creation of local planning agencies, having as a minimum responsibility the study of prospective uses of urban land and their implications for governmental programs and policies. More recently, areawide planning efforts, requirements, and agencies have emerged as a result of combined Federal-state-local action, and have commended major attention.

Plans, Plans, Plans

What is a plan? According to one definition, a plan is a term used generally to describe "a proposed method of action or procedure." This broad usage is reflected in some of the subsequent discussion. More often, however, the term is used in a governmental context and refers to what is frequently called a "comprehensive plan." Such a plan is a statement, in words and graphics, of a government's determination as to how the area within its jurisdiction should be developed and used at some future date. It usually specifies the preferred use of all land, anticipated traffic patterns, and the location of public facilities, and historically it was wholly concerned with these physical development matters. Today, it uses not only an inventory of physical stock (streets, buildings, and community facilities), but social and economic data, including population density, incomes, and education levels. Thus, while it is expressed in physical terms, it is based on assumptions and goals concerning people: their expected or desired density of settlement, their location, and their requirements for public facilities and amenities.

The plan, then, is at once a description of current physical and human resource conditions, an assessment of the direction in which the community is developing, an expression of desired goals, and a recommendation of governmental steps required to reach those goals, including stages of suggested capital improvements.

Planning Bodies, Planners, and Their Powers

A study issued by the National Commission on Urban Problems in 1968 indicated that about half the county governments in the nation, including four-fifths of those in metropolitan areas, then had a planning board – a marked increase over the figures of an earlier (1966) survey conducted by the American Institute of Planners. Only about half of these boards, however, controlled land use through zoning or subdivision regulations.[62]

At the same time, the overwhelming majority of municipalities and New England-type townships of 5,000 population or more had planning boards and various types of land-use controls (see *Figure XXIII*), and most of the municipalities had prepared a "master plan" for future land use – in about one-third of these instances – very recently.

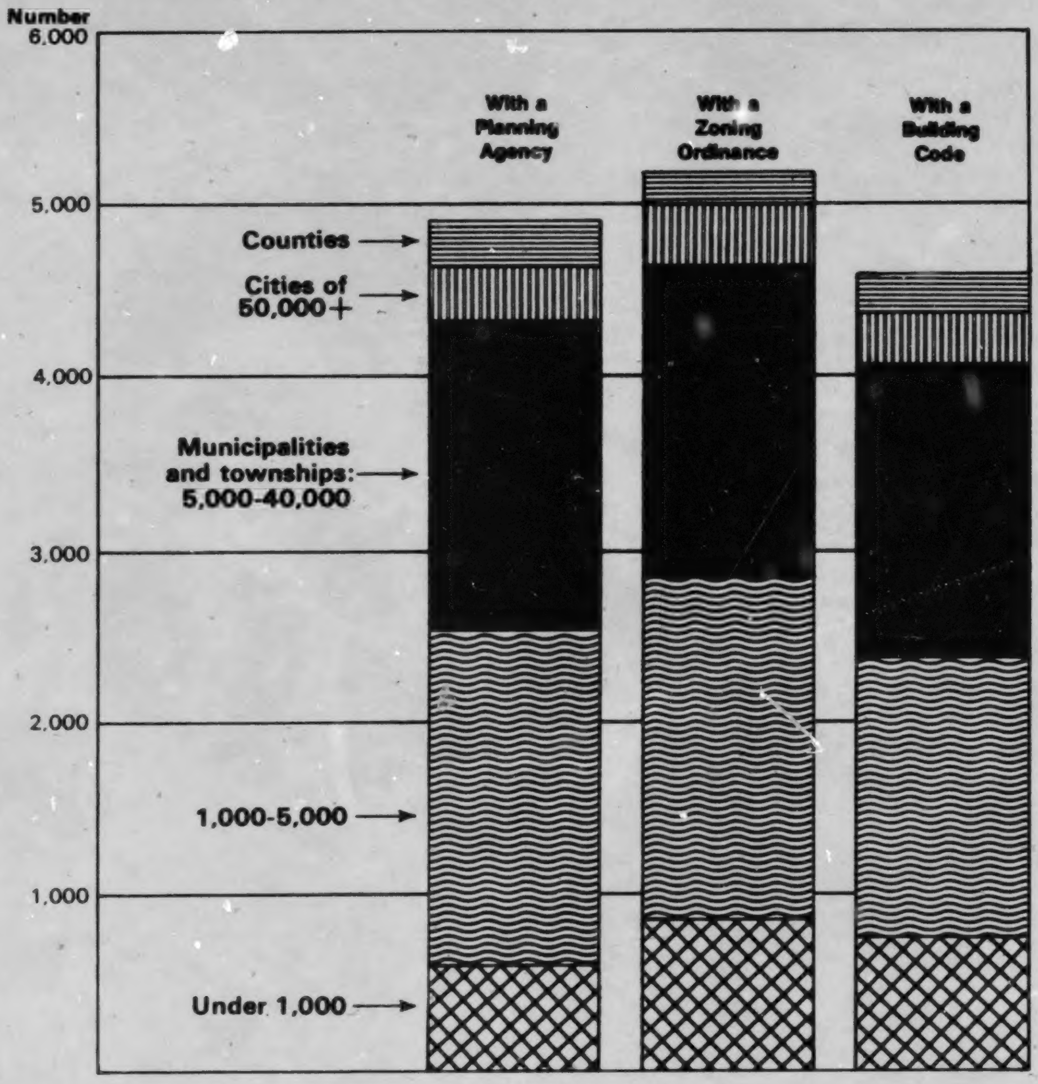
If these figures still hold, approximately three-fourths of the nation's population live in jurisdictions having local planning, zoning, and subdivision control, including more than nine-tenths of the metropolitan sector. Yet, the area subject to such efforts is only a tiny fraction of the nation's land mass and only a slightly larger proportion of the land in metropolitan areas, somewhere around 7 percent of the total land area of SMSAs.

Municipal planning as presently handled in the United States relates for the most part to relatively small local areas. Of the nearly 5,000 incorporated places in SMSAs, only about 150 cover 25 square miles or more. Less than 500 include nine square miles.

Areawide planning agencies, however, have been established in nearly every metropolitan area in recent years. This development has been stimulated by an increase in state enabling legislation; the 701 planning grant program, including its extension to COGs;[63] by

Figure XXIII

LOCAL GOVERNMENTS ENGAGED IN PLANNING, ZONING, AND BUILDING REGULATION IN METROPOLITAN AREAS, 1968



SOURCE: Advisory Commission on Intergovernmental Relations, *Urban America and the Federal System* (Washington, D.C.: U.S. Government Printing Office, October 1969), p. 61.

Sec. 204 of the *Demonstration Cities and Metropolitan Development Act of 1966*; and by Title IV of the *Intergovernmental Cooperation Act of 1968*. Section 204 – originally proposed by the Advisory Commission in 1961 – made Federal grants and loans to local governments in metropolitan areas for a wide range of programs – airports, highways, hospitals, sewage and water supply facilities, and open space acquisition – conditional upon advance review and comment by an areawide agency whose functions include planning (or, lacking such, by a state agency designated by the governor). The 1968 act greatly expanded the scope of programs subject to review, and applied the requirement to non-metropolitan areas as well. Also, state reviews were called for in all cases.

A variety of review bodies has been designated to make these reviews: single county review bodies; city-county agencies; regional planning commissions covering two or more counties; voluntary councils of governments; and state planning agencies. Several SMSAs developed more than one planning agency. Most of the agencies were assigned jurisdictions over a single entire SMSA, but a few covered less than an entire SMSA, and several had broader scope, some involving two or more SMSAs. By 1975, there were about 500 such agencies in operation.

Public control of the use of privately owned land operates mainly through zoning provisions and related subdivision regulations. The balkanization of land regulating power within metropolitan areas is highlighted by the fact that more than two-thirds of the general purpose governments located in SMSAs have local land zoning regulatory authority. Most of these, as noted, are small municipalities and townships, while only about one-fourth are county governments. While these various land regulating jurisdictions do contain about nine-tenths of the metropolitan population, they cover only a minor portion of all metropolitan territory. To complete matters, only about half of them have full-time employees engaged in zoning or related planning and building regulation activities.

Whether large or small, these jurisdictions typically have the legal authority to exert their zoning powers without regard to the needs or opinions of their neighbors. The officials of each municipality naturally feel that they are using their municipal powers for their town's best advantage. But a basic tenet of ACIR's philosophy is that with increasing size and complexity of metropolitan problems, the rights of the individual community are circumscribed by the rights of other communities.

Toward More Effective Planning and Land Use Regulation

ACIR is strongly committed to an effective system of planning and regulation of land use within metropolitan and other areas.

Responsible Metropolitan Planning Bodies. One of the earliest Commission reports emphasized the pressing need for consistency of planning and zoning efforts within metropolitan areas and the value of authorizing establishment of responsible and representative areawide bodies vested with appropriate powers – including the development of areawide plans for land use and capital facilities and the review of zoning ordinances proposed by the component units of government in the area.[64] A survey by the National Municipal League staff in 1962 showed 63 areawide planning commissions in operation.[65] By 1968, another survey found 35 such commissions in existence, and by 1970, the number had increased to over 560.[66] There are probably over 600 by now.

> Not all of these can be described as planning bodies in any true sense of the term; in fact, only a minority of them are engaged in serious planning efforts. Yet, their very existence reflects the emphasis (largely by the national government) that has been given to areawide coordination and planning in recent years.[67]

Federal Enhancement of Local and State Planning. The Commission has made various proposals to upgrade Federal program requirements affecting state, regional, and local planning endeavors. To strengthen areawide planning and cooperation and to upgrade Federal agency processing of its urban development grants, the Commission advanced the concept of review and comment by an areawide agency (discussed above in connection with Section 204 and Title IV).

The Commission has also urged after an extensive probe of the impact of Federal urban development programs on local governmental planning and organization that Congress and relevant Federal agencies "require and promote effective planning at all local levels" where appropriate in Federal urban development programs.[68] Congressional endorsement of the principle of interagency program coordination was urged, as was adoption of a unified urban development policy within the Executive branch. These ideas were the foundations of Title IV of the *Intergovernmental Cooperation Act of*

1968 (P.L. 90-577), which requires that all viewpoints – national, regional, state, and local – be considered in planning Federal and Federally assisted programs:

- Federal urban and other development grants shall be used for purposes consistent with those of local, areawide, and state comprehensive planning; and
- Federal agencies administering development grants shall consult with other affected agencies in order to assure fully coordinated programs.

The Bureau of the Budget prepared rules and regulations for this and other titles of the act in its *Circular A-95*. By translating its program and planning theme into practical procedures, A-95, as noted previously in this report, constituted a breakthrough in Federal efforts to buttress the intergovernmental dimensions of regional planning – especially in urban areas. A-95 specifies that the comments and recommendations by the clearinghouse agency shall include information concerning "the extent to which the project is consistent with or contributes to the fulfillment of comprehensive planning."

To bring some order out of the more than a hundred planning requirements in Federal categorical grant programs, the Commission urged enactment of general legislation consolidating insofar as possible into a single Congressional enactment a set of planning requirements – both functional and comprehensive – to be applicable to grant-in-aid programs, especially those dealing with or affecting urban development. Draft legislation to carry out this recommendation was introduced in the 91st Congress.[69]

The Commission believes that planning requirements should be made more uniform and consolidated into a lesser number of separate enactments. It also believes that Federal planning assistance should strengthen comprehensive planning as an arm of elected chief executives, at state, areawide, and local levels; should require a closer interlinking of planning, programing, and coordination at those levels; and should relate Federally aided functional planning to comprehensive planning at such levels.[70] These recommendations for revamping the 701 planning grant programs also were incorporated in the proposed act, though not enacted.

Curbing "Fiscal" Zoning Practices. Much of the development taking place in urban areas today is influenced by local zoning ordinances, but this is largely on a city-by-city basis. What is missing is coordination of zoning actions that have an impact beyond local boundaries.

The consequences of this parochialism are unfortunate. Competition among municipalities for land use developments which are productive of large tax revenues is apparent in many metropolitan areas. Thus, local zoning often is an instrument of fiscal competition rather than one to be used for achieving desirable arrangements of land uses.

In addition, fiscal zoning is also geared to keeping governmental costs at a minimum and protecting existing general surroundings by zoning exclusively for homes on large lots. Elaborate relationships between housing costs, family incomes, number of school children, and other governmental services are figured in as arguments for or against zoning changes. Local officials frequently rationalize this kind of zoning as action to carry out local fiscal policies. The result of such a policy often is to reinforce socio-economic disparities by limiting construction of homes to those which can be purchased only by high-income families. Other adverse effects of fiscal zoning have been detailed elsewhere in this volume.[71] Suffice it to say here that such zoning policies can be self-defeating and may result in a reduction of total metropolitan economic resources, as well as greater intergovernmental conflict – instead of cooperation.

To help correct this imbalance between power and responsibilities, the Commission has urged state legislative action to restrict zoning authority in metropolitan areas to larger municipalities and in many places to county government, and to require that such zoning authority be exercised in a manner which permits a wide range of housing prices within the area covered.[72]

If the larger units of government encompass most or all of the metropolitan area, sufficient legal power representing a diversity of viewpoints can be brought to bear on development decisions. Areawide coordination of planning and zoning matters is made possible by establishing a review procedure over municipal actions. Of course, many municipal planning and zoning matters do not affect areas outside municipal boundaries. But many do. Action by municipalities to change the types of land use for property bordering major county or state highways and parks can have an impact. Decreasing the front yard setback or minimum lot width of any property abutting any such highway or park clearly can have an effect. Connecting a new street with such highways, or connecting new sewer lines into existing channel lines, may create spill-over problems. Finally, reducing residential densities to less than three families per acre can easily have an effect beyond the corporate boundaries. These local actions should be reviewed by the larger unit of government for consistency with areawide planning objectives, and especially for their tendency toward exclusive or fiscal zoning.

These ACIR proposals were supplemented by a 1968 Commission recommendation that the states, in implementing their balanced urbanization plans, consider strengthening county governments and vesting them with appropriate powers, including authority for planning, zoning, subdivision and building regulation, and other powers associated with control of urban growth, with special reference to the rapidly urbanizing fringe portions of metropolitan areas.[73] The Commission's more recent recommendation for strengthened county government[74] reinforces this earlier stand. Such powers are especially critical for county governments, since they usually exercise sole responsibility below the state level for the unincorporated areas where such development generally takes place. If given these powers, counties then must hire the personnel and establish the organizational structure capable of dealing with public development authorities, private developers, and other corporations and agencies which may undertake large-scale and new community development.

Extraterritorial Planning and Zoning. Other means also may be used to improve land use control for urban fringe areas. Where effective county planning, zoning, and subdivision regulation do not exist in the fringe area, state legislatures should enact legislation making extraterritorial planning, zoning, and subdivision regulation of unincorporated fringe areas available to their municipalities.[75]

Extraterritorial power may hold only limited potential for resolving basic intergovernmental problems in metropolitan areas containing a large number of jurisdictions. However, in areas where there are few incorporated jurisdictions and where counties do not exercise land use controls in the unincorporated fringe area, extraterritorial planning, zoning, and subdivision regulation can be important tools for preventing the development of problem areas around individual cities. To provide a measure of protection against arbitrary action by the municipality, residents of the unincorporated areas should have a voice in the imposition of the regulations applying to their own territory.[76] About two-thirds of the states have authorized extraterritorial subdivision regulation, and over half have authorized extraterritorial zoning.

Upgraded Local Land Use and Development Controls. Recent developments in land use regulation offer new potential for guiding and regulating urban growth. States should consider enacting enabling legislation to realize fully the potential of local land use and development programs emphasizing large-scale development, such as planned neighborhoods and new communities. Localities should be empowered to adopt official maps, planned unit development, and unmapped or floating zone ordinances, and be permitted to require developers to dedicate or make cash payment-in-lieu of such dedication for parks and school sites.

The adoption of an "official map" specifically identifies future locations for streets, public facilities, parks, playgrounds, and other public uses and officially reserves the sites for future public acquisition. Used in coordination with other measures as part of an overall development program, the official map is a major tool to assist governments in directing growth and providing adequate services at a reasonable cost. The enabling legislation should permit localities to reserve, for a stated period of time, land for future public acquisition for streets, public facilities, parks, playgrounds, and other public uses.[77]

In most states, subdivision developers can be required by local governments to provide streets, curbs, gutters, sidewalks, sewer lines, water lines, and storm drainage facilities to service their own subdivisions. Thus far, however, "mandatory dedication" requirements have been much less frequently used to assure land for parks and school sites, even though open space is a vital feature of sound subdivision design and is as necessary as the provision of such facilities as streets and sewers. Suggested legislation for mandatory dedication of park and school sites has been drafted as an amendment to existing state legislation authorizing local subdivision regulation.[78]

Land use regulatory provisions for large-scale and new community developments have been authorized in some local jurisdictions in the form of "planned unit development" zoning provisions. Local enactment of such regulations is probably one of the most significant steps that can be taken to encourage new community development. It is particularly appropriate for application in developing areas.

Lot-by-lot regulation under existing zoning procedures may be adequate for controlling development in built-up areas. It is designed primarily to prevent the use of one lot from injuring the present or future use of an adjoining lot. However, such regulation may be inappropriate and unduly restrictive where development of all lots occurs at about the same time and is done by a single party. The planned unit development approach allows a developer more design flexibility in lot size, building site location, and housing types, as long as overall land use intensity is maintained and open space is provided.[79]

A fourth tool that should be made available by the states to their local jurisdictions is the authority to adopt "unmapped or floating zones." This innovation is a type of zoning district that is defined in the text of a zoning ordinance but not located on the accompanying map. This new technique is well suited to large-scale projects that could be located in any of several different places. It is particularly appropriate for neighborhood, community, and regional shopping centers, where there will be only one or a few such projects within a fairly well defined overall area. Advance specification of locational standards will, of course, limit the range of possible placement of such centers, but explicit zoning for a particular tract does not occur until a developer or owner takes the initiative to seek such action. Undertaking a project at one of the possible locations would eliminate several of the alternative sites. This approach reduces the scattering of commercial uses which often leave surrounding land undesirable for many uses.

State Regulation of Land along Highways. Highways, along with water and sewer lines and facilities, are among the major determinants of the location of urban development. Public decisions as to the location of these facilities can be a major method of channeling and influencing where and when urban growth will occur. Use of development controls along highways, coupled with an access policy related to areawide development plans, can exert a significant influence upon developmental patterns. Therefore, highway planning should be an integral part of overall physical planning conducted by the state and its localities.

Special problems are created by the extension of major limited access highways through rural countryside. In such areas, local governments often do not have adequate land use controls to regulate the increased commercial, industrial, and home-building activities generated by the highways. Although the immediate rights-of-way of Federal interestate highways are rigidly regulated, the areas just beyond and particularly along access roads are becoming dreary, unsightly, honky-tonk strip developments of the worst sort. The very rigidity of the highway controls generates clustering of motel, restaurant, drive-in, and other types of activities along the rights-of-way at access points and at interchanges. The ten-story-high filling station sign looming up above all the natural features of the countryside has become a symbol of such development. The real problem comes from the fact that, once established, many of these uses can legally continue as "non-conforming uses," even when controls are finally inaugurated.

Governmental action to encourage economic growth might intensify these problems if adequate controls are not provided along interstate and other major highways. Where municipalities or counties do not exercise effective land use and development controls at access points and along major highway rights-of-way, an appropriate state agency should be authorized to do so, pursuant to criteria and standards set forth in the authorizing legislation.[80]

AN URBAN DEVELOPMENT POLICY FRAMEWORK

The pattern of metropolitan development today results from the separate decisions of both private citizens and groups – consumers, builders, landowners, developers, financial institutions, and many other groups and individuals – as well as various governmental bodies and agencies whose decisions relate to planning, land use regulations, land acquisition, and building codes, as we have seen.

Moreover, the long prevalence of frontier psychology in America has buttressed the way metropolitan development has taken place. Land has been viewed as an inexhaustible resource, and any suggestion of governmental planning for urbanization and governmental controls over land use has been viewed as an unwarranted and unconstitutional infringement on property rights. Indeed, until quite recently, courts have been cautious toward land use control actions that have the effect of decreasing property values – as when a permitted use of certain land forces fewer housing units per acre to be constructed. On occasion, the courts have construed such actions as "taking" private property, thereby making them subject to compensation to the property owner through condemnation procedures.

But the current energy squeeze and growing environmental concern, on the one hand, and some recent judicial victories on the other have transformed the issue of growth policy from one of "whether or not" to one of "when," "how," and "by whom."

The problem to be dealt with is that most development decisions – including those made in the public sector and even those ostensibly concerned with orderly urban growth – are discrete, frequently disconnected, and often disappointing. And no wonder, given the multiplicity of governmental programs and jurisdictions operating in this area, the weakness of areawide mechanisms, and the absence of any real policy at the national, state, or areawide level to help provide the framework for coordinative program action and for the targeting of long-range urban goals.

In effect, it can be argued, we have a *de facto* growth policy as a result of the existing situation. The difficulty is that the adoption of a great many individually defensible national, state, and local policies, designed to achieve limited objectives, ignores the need to coordinate them or to relate them all to a set of national growth objectives. Perhaps the nation has not yet reached consensus as to what those objectives are.

In any case, the question now arises, how can a way be devised for governments to scrap their sporadic, frequently conflicting approaches toward metropolitan development and to enable them instead to give sustained focus to their existing programs and policies for the most beneficial urban growth? Above all, the question is, should governments go beyond this and attempt to hammer out an overall policy regarding the location of future urban growth – in short, a national urbanization policy?

Advocates of affirmative responses to these tough questions usually contend that if present urban growth trends are permitted to continue, greater imbalances, greater pressures, greater inequities will arise. They point to the growing disequilibrium resulting from more and more people heading into the largest metropolitan centers, and to the higher personal and public service costs in such areas. They warn of the perilous pressures of more intense social and psychic stress that greater and greater congestion can generate. They point to the already wide gaps between the economies of central cities and those of most suburbs, and to the ever widening gaps – in personal income, education, health, and economic terms – between urban and rural areas. They castigate the willy-nilly gobbling-up of land on the urban fringe. They cite these and other imbalances in the existing urbanization process and seek a new life style for future generations of Americans.

Critics condemn proponents of a national growth policy on several grounds. A debate between representatives of the two camps might well run something like this:

Critic: But a national policy geared to stemming the tide of urbanization runs counter to all history, to human nature, and to the voluntarism of our governmental system.

Proponent: This is not the goal of such a policy – or, at least the one I advocate. What we seek is a policy that seeks to *channel* future urban growth. It is not a matter of balancing rural and urban populations. But it is a question of seeking to locate some of our future urban populace in what now are rural areas.

Critic: Even if this is your basic goal, and I concede it to be a good one in theory, how can you achieve it in a governmental system as decentralized, as multicentered, as ours?

Proponent: That's an outdated point. Britain, France, and Sweden have begun seeking out techniques of devolution and decentralization to cope with their urban planning and development. The American system is at least as adaptable as those unitary systems to the needs of such a policy. Some would say federalism makes it even more so.

Critic: I doubt if either type can do it. In any event, how can you expect to heap up additional planning, programing, and management responsibilities on a federal system that is already under strain?

Proponent: Admittedly, intergovernmental administration has encountered difficulties. But efforts are afoot at all levels to improve it. Moreover, the focus, priority setting, and long-term direction involved in a national policy are just what is needed to energize the efforts of those seeking to better Federal-state-local administrative relationships.

Critic: I don't follow you.

Proponent: Let me put it this way. It's difficult to push administrative changes at the national level, to achieve interagency program coordination, to curb the disjointed but dynamic efforts of the professionals. It's tough to achieve state government reorganization and significant involvement in urban problems and programs. But with a national strategy, these various undertakings will be related to such broad, basic problems as where and how will 115-million more Americans live between now and the year 2000? The old good government, economy, and efficiency arguments are thread-bare. My argument is quite the reverse.

Critic: Maybe so, but your policy – if it is to achieve any reversal of present trends – obviously must involve the private sector and an expansion of the governmental role *vis-a-vis* this sector.

Proponent: True, the private sector will be involved. It is now, and often has to respond to governmental urban policies that are conflicting and counter-productive. What is needed are coordinative mechanisms regarding such things as housing policies, highways, agricultural programs, defense contracts, and military base locations. Governments – state and local included – already condition urban and economic growth. What is needed is more rational playing out of this government role – not any gigantic shift toward greater governmental interventionism.

Critic: Even if that is true, how can a national policy be devised without hammering out a hard and fast locational strategy? And even if you can produce a strategy, how can you make it stick?

Proponent: A genuine national policy on urban growth must have a geographic foundation and, admittedly, that will be difficult to work out – since ultimately it involves all three levels of government, as well as the Congress at the national level. But I think we are reaching a point where the dangers of sparsity as well as those relating to greater congestion are being recognized by more and more people. Moreover, to be frank about it, there's something in a genuine national urbanization policy for every major sector. There's political appeal here, I'm convinced of it.

Critic: Well, maybe, but I'm very, very skeptical.

As this dialogue would suggest, geography, economic growth, and density have much to do with a national urbanization policy. The Advisory Commission, in its report entitled *Urban and Rural America: Policies for Future Growth*, differentiated among certain kinds of local areas and jurisdictions in an attempt to identify those suitable for intensified developmental effort:

- *Labor-surplus rural counties* generally are areas of underemployment, with an older, underskilled, and undereducated population, resistant to moving. However, absence of transportation and communication links as well as natural resources make their economic prospects unpromising.
- *Labor-surplus city neighborhoods* in large urban areas display considerable under- and unemployment, out-migration of blue-collar industry and difficulty of resident job seekers in traveling to blue-collar jobs in suburbs. But they are close to large markets and have a large public investment in facilities essential to industry.
- *Small rural growth centers* generally are "urban places" located in essentially rural counties not part of any metropolitan area. They have typically experienced some population and job growth in recent years. They serve as trade, transportation, service, and social centers for their surrounding areas, and they are relatively free of major socio-economic problems.
- *Medium-size cities* with job opportunities generally have substantial physical plant in place, steadily growing population and economic activity, socio-economic problems still open to solution, and strong links to sizable surrounding areas through good transportation and communication.
- *Labor short suburbs* in large urban areas are major growth points with a high level of economic activity, and an expanding demand for many kinds of labor, including blue-collar.

Of these various areas, two types would appear to merit special public efforts to stimulate private development: "small rural growth centers" and "labor-surplus city neighborhoods." Of the rest, all but the labor-surplus rural counties will grow of their own accord.

Rural growth centers outside metropolitan areas could provide a handy destination for some job seekers from rural poverty areas who might otherwise head for the big urban centers. Some out-migrants from the central cities might also profitably head for these rural growth centers. "Rural growth centers" start with some important advantages. Even with these pluses, however, small size means that growth is not a sure thing. These communities must still compete against the strong pull of large urban centers, with their advantage of diversification. Outside (private and governmental) help, then, is probably needed to turn potential into actual growth.

It may seem shortsighted to urge measures for bringing industrial employment into (or back into) central cities, where congestion is already heavy. Yet, dispersion is a long-range policy; the exigencies of the moment indicate a need for simultaneous focusing on capitalizing on the pluses of the ghetto. One of the basic dimensions of this is the challenge of the increasing concentration there of unskilled, low-income, frequently non-white people. Inner-city joblessness and underemployment are byproducts of the flight of industry to the suburbs, the lack of adequate transportation service between central city and suburbs, and suburban discrimination in housing. Encouraging industrial location in core cities, however, will not stem in-migration.

But the people are there; so are the great investment of many decades in physical plant and the continuing advantage of central location. Leaving the residents to shift for themselves, when they cannot get to the jobs, is to fuel further city explosions, like those of the summers of 1966-68. Yet, it must be stressed that on-site, ghetto measures need to be complemented by other measures relating to dispersion.

Weighing all the pros and cons, ACIR has concluded that the potential advantages of national and state policies on urban growth clearly outweigh the disadvantages. Today, in an increasingly interdependent society, significant private actions relating to urban development are likely to have important public consequences, and few major governmental actions occur without affecting the private sector. The question then is not whether government should be involved, but how it can be involved most intelligently and effectively.

The Commission advocates governmental actions toward:

- formation of a national policy on urbanization;
- related adaptation of the programs of multistate planning and development agencies; and
- state efforts to develop and implement a considered policy concerning urban growth.

A National Urbanization Policy

At the national level, the Commission has urged:[81]

> ... the development of a policy incorporating social, economic, and other considerations to guide specific decisions at the national level which affect the patterns of urban growth.
>
> ... that the President and the Congress assign executive responsibility for this task to an appropriate executive agency.
>
> ... that the Congress provide within its standing committee structure a means to assure continuing systematic review and study of the progress toward such a national policy; [and]
>
> ... that the executive and legislative branches, in the formulation of the national policy, consult with and take into account the views of state and local governments.

Many elements of a national policy exist separately, right now. Major components include the *Employment Act of 1946* and the *Housing Act of 1949*. Each deals with a basic national goal affecting urbanization. But these are only the more obvious. Federal departments and agencies administering programs influencing urban or economic growth include virtually all of the major domestic ones, and the Department of Defense should never be overlooked in this connection.

Yet, no single agency in the national government is devoting substantial attention to the development and monitoring of an urbanization policy. The Urban Affairs Council was at one time exploring the general question, and the Domestic Council (with HUD assistance) now has responsibility for preparing the President's biennial *National Growth Report*. Nevertheless, at present the many national decisions relating to Federal programs directly affecting urban growth rarely are made in a context wherein their total or long-range impacts are weighed.

Reliable social and economic statistics also are vital, and developing a national policy would stimulate their assembly and analysis. Much of the needed information for a system of social accounts is now available from the Bureau of the Census, the Department of Labor, the Justice Department, the Department of Health, Education and Welfare, and other Federal agencies. Yet, there is no central responsibility for extracting the significant information and for promoting its analysis in relation to urban problems.

Reorientation of Multistate Planning and Development Agencies

At a regional level, the Commission has recommended that the President reassess the policies and structures of multistate economic planning and development agencies insofar as they affect the location of economic and population growth.[82] Such agencies, it was proposed, should take national policies into account when formulating regional programs and should help develop regional components of national urban growth policy and programs. ACIR has also recommended continuing use and evaluation of multistate river basin commissions.[83]

National planning for urban growth must be tailored for the differing growth patterns of the various regions of the country. The earliest efforts to handle regional growth dealt with natural resources: the Tennessee Valley Authority was the first of several river basin commission established under individual interstate compacts and under the *Water Resources Planning Act of 1965*. Under the *Area Redevelopment Act of 1961* and its successor, the *Economic Development Act of 1965*, as well as the *Appalachian Regional Development Act*, economic planning has taken form in multistate regional districts to help depressed areas with relatively high unemployment and underemployment.

State Urbanization Policies

Parallel to these actions, at the state level, the Commission has urged the development of basic policy to guide specific state decisions which affect the patterns of urban growth.[84] Implementing legislation should provide both for coordination by an appropriate state agency of state, multicounty, metropolitan, and local planning, and for relating such planning to regional and national considerations. Conformity of programs and projects of state agencies to the state urbanization plan should be required, as well as formal review by an appropriate state agency of areawide plans and of those local comprehensive plans and implementing ordinances having an impact outside the jurisdiction's borders. The Commission also recommended that multicounty planning agencies be assigned the task of reviewing applications for Federal or state physical development project grants in non-metropolitan as well as metropolitan areas.

If states are to play a key role in the development of urbanization policies, they must have a planning capability that will produce the components required to channel their future growth effectively. No state at the present time possesses the kind of planning process called for here – though a few approach it.

The kind of planning process called for would be productive, politically relevant, and potent – in the urbanization as well as other policy areas. Administratively, its staff should be directly responsible and easily accessible to the governor. Procedurally, comprehensive planning should be linked closely to budgeting; despite the jealousies of these two staffing sectors, both are in the job of programing, priority setting, and projecting ahead, and the skills of both must complement – not conflict with – each other. Operationally, the process should produce a hard – not a hazy – product which can be acted on by the legislature and serve as a guide to decision-making on specific urban and economic growth issues. Functionally, the planning unit should serve as the master coordinator of line agencies' programing, and a similar responsibility should be assigned to it *vis-a-vis* planning districts at the substate regional level. Intergovernmentally, local or areawide plans, projects, and ordinances having a spillover effect should also be reviewed by this unit for their impact on the state's urbanization policy. Finally, an ongoing dialogue must be established between the governor, his planning staff, and the relevant standing committees of the state legislature.

Despite the controversy this last proposal generates among many planners, the Commission is convinced that only a continuing, sometimes conflicting, but hopefully cooperative relationship between these forces will produce a state planning process that is really resourceful, relevant, and responsive to the long-term growth needs of its citizens. Suggested state legislation incorporating these various features has been drafted.[85] It already has stirred up considerable debate and disagreement, but it merits careful consideration.

The planning activity of the state government should go beyond a general classification of existing and future land use. State programs for highway construction, parks, air and water pollution abatement, water conservation, and health facilities should be coordinated in the state urban development policy. The establishment of a conscious policy on urbanization would also provide the background for other forms of state action (discussed below), such as land banks, urban development authorities and corporations, industrial location, public purchase of development rights, new community building programs, urban renewal, and housing.

Possible Components of Urban Growth Policies

Political reality, as well as long-term considerations, dictates that the specific components of a national policy must deal with the immediate problems of central cities and rural areas, while simultaneously planning for a more balanced geographic distribution of the next urban generation and for a more innovative approach to housing these future citizens. The overall policy – or, better put, policies – must consider and deal specifically with the three most dynamic conditioners of urban growth: the economic forces, the demographic factor, and the actual pattern of physical development.

The Economic Front. Several possible specific program alternatives should be considered by policymakers confronted with devising effective urbanization policies. At the national level, financial incentives, such as tax credits, below market rate loans, or direct grants, could be used to stimulate industrial and business location in rural growth centers and labor surplus neighborhoods of central cities.

The tax credit approach has several virtues when compared to alternative Federal subsidy arrangements. Tax policy changes are less likely to occur than changes in policy respecting the other forms of subsidy, depending as the latter do on the overall Federal financial condition. Tax credits would not subject business to the detailed scrutiny normally associated with Congressional appropriations or Federal lending activity. Tax credits have greater appeal to business simply because they permit greater flexibility in managerial decisions. Because tax credit incentives represent a cost to all taxpayers not directly benefiting from them, they should not and need not be permanent. By incorporating a termination and review date in the law, review of the program after a trial period would be assured and would forestall any continuing drawdown on Federal resources in the absence of strong indications that the arrangements contribute to desired objectives.

As an alternative, Federally subsidized, below-market-rate loans might be considered. The Federal government has made below-market-rate loans for business ventures to serve such objectives as dealing with disaster situations and aiding small businesses, veterans seeking business ventures, economically depressed areas, and rural electrification. A loan program related to urban development objectives might be designed to fill the margin between what firms can arrange for themselves and what is needed to assist an otherwise sound venture. Such loans make available additional funds without threatening the equity or control of the entrepreneur, yet can protect the public investment.

The most straightforward Federal incentive arrangement would involve direct subsidy payments to entrepreneurs who locate in designated areas. To establish an effective direct subsidy program, a payment that would offset either higher capital outlay or operating costs could be made. A direct subsidy based on cost differentials would put areas of desired economic growth on a par with other areas as far as direct business costs are concerned.

Fiscal propriety and the basic goal of a national urbanization policy dictate that, regardless of the incentives utilized, only those firms that qualify under the specific location provisions of the overall policy should benefit. Also, whatever the subsidy route – tax credit expenditure or loan – the subsidy costs should be set forth clearly each year in the President's budget as either direct or informational items, depending on the approach used.

At the state level, assistance could be authorized to make loans more readily available to expanding firms seeking to locate in areas designated under state policy for more intensive economic development. Model legislation has been drafted for implementing this proposal for a positive state role in charting the course of future urban growth. (See *ACIR State Legislative Program*, 1975, Bill No. 5.104.)

At all levels, public procurement contracts and the construction of new public facilities can and should be geared to fostering more orderly urban growth in order to further their respective urbanization policies. Federal and state contract awards, totaling many billions of dollars a year, significantly affect economic activity in particular areas. Federal contracts in particular have an extremely uneven geographic distribution, and it appears that both defense and research-and-development contracts are especially concentrated in the wealthier and more urbanized states. The national government could by statute provide for (1) a credit in evaluating competitive bids for public contracts on the price offered for goods produced or services performed in certain areas, and (2) in negotiated procurement, preference to bids from such areas. States, too, could allow a credit or other preference in bids for public contracts from specified areas.[86]

A major instrument at the state level for influencing industrial location is the industrial credit agency. Using appropriated and borrowed funds, such an agency could complement the Federal loan programs and focus more directly on state urbanization policies. State industrial finance authorities are of two types. One guarantees industrial loans made by private lenders, and the other makes direct loans out of state funds.[87]

Many state constitutions forbid lending public funds to private organizations or using public credit to guarantee loans made by private organizations, no matter what the purpose of the loan or the character of the lender. In many cases, these prohibitions resulted from 19th century scandals involving the overextension of public credit for canals or private railroad building. Yet, it is possible to design safeguards into constitutions and statutes to ensure that public funds or credit made available for programs specifically designed to serve public goals would be so applied, rather than to enrich the nongovernmental participants.

The industrial or highly urbanized states should remove existing constitutional and statutory barriers to involvement of private enterprise in efforts directed toward enlarging and revitalizing the economic and fiscal base of their major cities.[88] After such action, positive steps should be taken to enhance private-public cooperation in these endeavors.

Not to be ignored, however, are the many existing governmental programs that already influence industrial location decisions. These should be reviewed and, where necessary, amended to conform to such policies.

The Human Element. In developing a specific urbanization policy, attention must also be given to forces influencing migration patterns, and this means forcusing on ways and means of neutralizing those factors that have produced excessive population concentration in some areas, and that have contributed to restrictive sparse patterns in others. The industrial location proposals would help encourage the selection of less congested locations for work and residence. At the same time, the Federal government and states might also consider establishing a joint program of resettlement allowances for low-income persons migrating from surplus labor areas in core cities and in the countryside to specific locations designated for economic growth under their respective urban growth policies.

The national government might well expand the Department of Labor's on-the-job training program by establishing a supplementary training assistance program for employers located in labor-surplus rural counties, labor-surplus city neighborhoods, and rural growth centers. Moreover, the interarea job placement, counseling, and information services of the Federal-State Employment Service could be revamped and computerized so that job seekers would be able to get full and accurate information on definite employment opportunities in other parts of the nation.

In developing this people-related component of an urbanization policy, serious consideration should be given to national legislation that would eliminate, or at least reduce, the "migrational pull" of interstate variations in public assistance standards and benefits. If the basic goal of this policy is to maximize the locational alternatives available to all our citizens, then Congressional reform of the public assistance program is an indispensable and integral step in hammering out this program. As described in an earlier chapter, the Commission has urged that financial responsibility for public welfare and medicaid be assumed entirely by the Federal government. If this is done, any interstate variations in benefit levels not justified by cost of living differentials presumably would disappear.

Birth rates also should be considered by urbanization policymakers. Despite the decline of the national rate, the high figure for families who suffer most from the consequences of heavy congestion, as well as rural sparsity, dictates that, as a minimum, the existing programs of voluntary family planning for low-income persons should be funded at a much higher level than they are at present.

The Physical Pattern of Future Urban Growth. A really effective urbanization policy must come to grips with the form and quality of urban growth, and not merely focus on the geographic location and distribution of future economic and population development. Possibly as many as 115-million Americans will be added to our population between now and the year 2000. This means massive building and rebuilding must occur to meet future as well as existing housing needs.

The economic and resettlement provisions of an overall urbanization policy – if enacted and successfully implemented – would shift the location of much of this building to less congested areas. Yet, a basic question remains: What kinds of measures are necessary to promote a more pleasing, productive, and less pressured physical pattern of future urban growth – a pattern whose design considers the long-term national interest? This qualitative concern is not a feature of all balanced urbanization strategies. It is a basic component of the ACIR's program, however, and it should command the attention of all who recognize that a narrow focusing on the quantitative dimensions of urban growth will not produce a genuinely balanced policy.

Innovations in the large-scale urban development field will require strong and effective land use planning and regulation and, paradoxically, more flexible developmental controls. States, then, should enact legislation to strengthen governments in this area by broadening their powers for controlling urban growth and by consolidating those jurisdictions that lack the authority and resources to deal with the dynamics of the urbanization process. States should authorize municipalities to exercise extraterritorial control of planning, zoning, and subdivision regulation in cases where counties lack these controls, states also could legislate to permit municipalities to annex adjacent or non-adjacent unincorporated territory for new community and urban development – subject to approval of a state or local boundary commission. Furthermore, if states are really serious about exercising strong leadership in the area of development controls, an appropriate state agency should be given regulatory authority over highway interchanges and rights-of-way, since these are major locational determinants of urban development. This authority would be used only in instances where municipalities or counties do not exercise effective land use and development controls at these highway points.[89]

Thus, more effective guidance and regulation of urban development is a basic necessity at the state and local levels and should be a major feature of their respective growth policies. Much more controversial is the proposition that governments should go beyond this and subsidize new large-scale urban developments, specifically including new communities. But, if future urban America is to enjoy the qualitative benefits of new communities, their record thus far indicates that some form of subsidy is required.

In its report on *Urban and Rural America*, the Avisory Commission urged governments – Federal, state, and local – to explore various ways of encouraging and participating directly in such large-scale developments in furtherance of their urbanization plans. The Commission also made it quite clear that subsidies should be restricted to those new developments that clearly promote broad public objectives, such as accommodating their pro-rata share of low-income housing. Bearing these reservations in mind, what can government do to foster a more innovative pattern of large-scale urban development?

Direct Federal involvement might be launched by a mixed public-private corporation, a new Federal land development agency, or HUD. Such an agency could be authorized to acquire land and sell it – improved or unimproved – to private developers, or make it available to state or local land development agencies. On a more ambitious scale, it could be empowered to undertake, on its own initiative or in partnership with state or local agencies and private developers, large-scale urban and new community projects in conformance with an overall policy.

In a like fashion, states could help shape their future urban terrain by creating their own land development agencies and empowering them to acquire land, arrange for site development and basic physical improvements, establish a "land bank" operation, dispose of land to developers or to local public agencies, and charter subregional or local land development units.[90]

In its holding role, the state agency, in effect, could acquire strategically located land and retain it in a "land bank" for future public or private development in accordance with the state's urbanization policy. In still another role, the state agency might work with existing municipalities in developing areas destined for ultimate annexation or for new-town-in-town developments within the borders of municipalities. In order to avoid eroding the local property tax base during the holding period, states should provide for appropriate in-lieu payments to reimburse localities for lost revenue.

The operations of such land development agencies could be financed through direct appropriations, charges and rents, grants, sales of land, and borrowing, if authorized. Borrowing authority might be granted on a revenue basis in anticipation of land sales and rents. Revenue from land sales and rent could provide a major source of income, and a significant part of the operation could be on a revolving fund basis after an initial appropriation of working capital, supplemented only as needed by subsequent direct appropriations or borrowing.

The suggested exercise of land purchase and eminent domain powers would probably face legal barriers in some states. Yet, nearly all states have accepted the urban renewal power to acquire land and clear it of blighted development, for subsequent sale to private developers, as a legitimate public use and a permissible exercise of public authority.

Moreover, a number of state courts have accepted the broad view that the type of public use necessary to justify the exercise of eminent domain powers extends not only to "use by the public" but also to "use for the public advantage" or "public benefit." According to this dictum, anything that "leads to the growth of towns and the creation of new resources for the employment of capital and labor" manifestly contributes to the general welfare and prosperity of the whole community" and is encompassed by the concept of public use.[91]

More indirect forms of Federal involvement might take the form of expansions of the existing land purchase and development mortgage insurance programs to include direct low-interest loans to new community developers, or amendments to the *Internal Revenue Code* to allow this special breed of entrepreneur a longer loss carryover period to help wipe out the red ink of the long and lean early years against the black ink of later years. Similarly, states could provide indirect assistance by adopting legislation permitting deferred payment of local property taxes and requiring state reimbursement to the jurisdictions affected.[92]

The prospective new community also faces special governmental problems. First, some public authority must guide its growth. Second, the new community must develop a level of public services proper to a concentrated urban community. Third, the developer's objectives and pattern for the community must not be wholly thwarted. Finally, the residents both there and in the jurisdictions affected by it must be able to take part in some of the basic decision-making.

In practice, single-purpose special districts have sometimes been used to provide utilities. In other cases, special homeowners' or developers' organizations have provided services on a special fee or assessment basis. Sometimes, such homeowners' associations manage open space, provide recreation, and enforce certain regulations incorporated into the bylaws of the association developing the community, or into deed covenants on the property.

Although special districts can make possible a higher level of facilities and services for a new community, they also present a number of possible problems, as has been demonstrated earlier in this report. They form a special level of government, in effect, and may not properly preserve the interests of the residents, or even of the developer, as the area grows. Nevertheless, with certain safeguards, new community districts may be the best alternative (see *ACIR State Legislative Program*, 1975, Bill No. 6.109).

Another approach is the creation of a county subordinate service or taxing area. With this device, the levying of special taxes or charges in specific areas is authorized, and the area remains under the county government.

Past experience has documented the difficulties of independent incorporation without enough preparation. The problem of balancing the basic objectives of the developer's plan with the accepted powers of local government raises problems. The interests of the "early settlers" in maximizing their own investment and protecting the character of the town as they view it may not fit the objectives of the developer and of neighboring governmental jurisdictions.

One possibility might be an adaptation of the powers proposed by the Commission for "Neighborhood Sub-Units of Government" in large cities, in which a local administrative subunit is set up with the clear understanding that it does not have governmental autonomy and is given certain limited powers which can be lifted at any time by a "parent" government – which in this case might be the county.

Another way to protect the original intention is to continue development under the county government which originally approved the new community project. But the county should be equipped to deal with concentrated urban growth, in order to reduce pressures for premature incorporation or annexation and the resulting fragmentation of urban areas.

Another alternative is to provide adequate powers for annexation, with appropriate safeguards – broad legislative guidelines, arrangements for citizen participation from the "new community" area, and review by boundary commissions or other appropriate agencies. An existing major municipality might handle the responsibility for sustaining a new community's development objectives, if it is large and efficient enough itself.

The variety of involvement possibilities, then, is vast. But Federal, state, and local policymakers should carefully weigh each of these options in developing a meaningful large-scale urban development component for their respective growth policies.

Moving Toward Growth Policies

The years since ACIR first called for a national urbanization policy, supplemented and complemented by state policies, have been years of considerable movement toward positive action on its recommendations (though almost at once ACIR was joined in its call for urbanization policies by the National Commission on Urban Problems, by the privately funded National Committee on Urban Growth Policy, by the President's Commission on Population Growth and the American Future, by the Land Use Subcommittee of the Advisory Committee to HUD, and by the National Water Commission).

Federal Action. In 1970, Title VII of the *Housing and Urban Development Act of 1970* was enacted to call for the President to issue biennial reports on national growth, beginning in 1972. The 1972 report,[93] developed by members and staff of the Domestic Council, under the chairmanship of George Romney, then Secretary of Housing and Urban Development,[94] appeared on time, but it asserted, after reviewing population growth and the problems associated with that growth, that "no single policy, nor even a single coordinated set of policies, can remedy or even significantly ameliorate all of our ills."[95]

That report was greeted with mixed reviews. Some considered the statement a reversal of the intent of Congress, if not a partial abdication of the Federal Executive Branch's responsibility for coordinating programs having a significant and sometimes conflicting impact on urban and rural growth. Those critics pointed to Federal highway and mortgage insurance policies of the postwar years as doing much to preordain the current socio-economic composition of the nation's metropolitan areas.

However, other observers approved the report's attempt to include rural areas in the considerations leading in a national urban growth policy and its emphasis on the need for an intergovernmental growth strategy. And some found its analysis of population growth, distribution trends, and associated problems to be provocative, and its chronicling of state and local actions and Federal administrative and program initiatives for controlling growth[96] to be illuminating.

The second report, also a product of the Domestic Council, was issued early in 1975.[97] It, too, fell short of calling for a national urbanization policy. It raised, however, a number of questions that would need to be answered if such a policy were to be developed, and pointed out ways that the various levels of governmental decision making – national, multistate, state, local, and substate – might better coordinate their policies and programs affecting growth.

It should be remembered, however, that the mere establishment in the Executive Office of the President of machinery for devoting attention to matters and issues relating to urban growth was not an insignificant accomplishment, although it was the least controversial and easiest to legislate of any of ACIR's recommendations. And its establishemnt and work may well be responsible for a number of other Federal initiatives for controlling national growth. Moreover, the two growth reports, taken together, have raised some of the fundamental philosophic, political, and practical issues which must be addressed before a strong and viable national growth policy can be formulated.

There is not space here to analyze all these initiatives, and in any case, they are catalogued in the 1972 report, in recent annual reports of ACIR,[98] and elsewhere.[99]

It must suffice to indicate some of the most important:

- The *Federal Highway Act Amendments of 1970* recognized the need for a development strategy by authorizing construction of access roads to rural growth centers.

- The *Agriculture Act of 1970* required the President to submit annual reports on Federal efforts to provide rural development assistance. The same act required the Secretaries of Agriculture and HUD to identify assistance provided non-metropolitan planning districts: these reports have showed that millions in HUD comprehensive planning assistance grants have been made to non-metropolitan substate planning and development districts.

- The *Housing and Community Development Act of 1970* set up a new Community Development Corporation; regulations implementing that provision were issued in July 1971; and a number of new community projects have received pledges of Federal assistance under them (although this program is now being phased out).

- The *Comprehensive Health Manpower Training Act of 1971* included incentives directed toward improving the availability of health personnel in rural and ghetto areas.

- The *Rural Development Act of 1972*, a major objective of which was to reduce out-migration from rural areas, contained provisions calling for an inventory of national conservation needs every five years, the findings of which will facilitate planning for national growth as well as for national land and water use and comprehensive rural development.

- In 1971, the Senate Committee on Agriculture and Forestry established a new subcommittee on rural development.

- In June 1972, the Subcommittee on Housing of the House Committee on Banking and Currency held hearings on the need for a national growth policy in general, and in the 1972 growth report in particular (another useful byproduct of that report!).

- The Council on Environmental Quality devoted its fifth annual report (December 1974) to the question of land use control and such related concerns as the effects of development and costs of urban sprawl.

- In 1974, the Environmental Protection Agency established a devision to coordinate work in connection with land use planning formerly scattered among several branches of the agency and with other Federal departments and agencies.

- Various versions of a national land use policy act have been before recent sessions of Congress and continue to be under consideration at this writing. The major bills would authorize about $100-million per year in grants to the states over six years "to encourage and support the establishment by the states . . . of effective land use planning and management programs." In Representative Morris Udall's words:

> This legislation does not envision a Federal blueprint, but it provides for Federal incentives to enable states and local governments to control how and where they will grow. It reflects the diversity within the federal system, and the understanding that land use decision-making should be done at the local and state levels, with regional and interstate cooperation where necessary.

While the sum total of these and other actions by the Federal government by no means constitutes the development of a national urban growth policy, as recommended by ACIR, they do represent a beginning.

It should be noted that this catalogue of Federal responses shows a definite rural emphasis. This is not surprising, in that Congress has always responded more effectively to an expression of rural concerns, which are articulated and projected by coordinated interest group activity, whereas it has much more difficulty in finding an expressed consensus with regard to urban concerns. But, as already noted, the broadening out of growth policy discussions to include rural America is itself an important and healthy development.

Even so, the urgent need for a coherent national growth policy has not yet been met. Many Federal programs affecting growth patterns still pull and haul in opposite directions. The actions to date suggest the confusion facing policymakers in Washington, as they seek to devise a national urban growth strategy on other than piecemeal and "hit the pressure points" bases.

If the arguments for enactment of a Federal land use bill are not persuasive by themselves, there are indications that the energy crisis may force the United States to wiser resource planning and land use. As former Secretary of the Interior Stewart Udall told a rural land use conference in March 1975, "The energy crisis is a major development that will change the face of this country. It is a force that will impel us to good planning. We've already seen many areas where it has checked urban sprawl."[100]

State Actions. The ACIR recommendations for possible state growth policy components are equally important, but equally difficult. Fortunately, the failure of the national government to produce a national growth policy has not completely deterred the states from acting, though it undoubtedly has slowed them. Nevertheless, there have been many positive achievements at the state level, again too many to chronicle completely here. An abbreviated list of some of the recent major achievements, however, would necessarily include the following.

First and foremost, Florida's comprehensive state planning act of 1972, which in the words of Governor Reubin Askew, moved Florida "further along the road to land control than any other large state in the nation,"[101] reorganized state-level planning agencies and called for the preparation of a state comprehensive plan to provide long-range guidance for orderly social, economic, and physical growth. Within the framework of the comprehensive plan, a land use plan is to be formulated to guide development and protect the states' national resources. Additional Florida legislation in 1975 has mandated municipal and county planning throughout the state.

Alabama, Georgia, Nevada, North Carolina, Ohio, Vermont and Oregon, among others, have strengthened their state planning capabilities recently.

Alabama has created a state development office and made it responsible for community planning services, regional planning coordination, state plan coordination, and economic development through eight planning districts across the state.

Colorado has created the State Land Use Commission to recommend a statewide land use map and classification system. It has also enacted legislation calling for the establishment of county planning commissions empowered to adopt regulations covering all land within the unincorporated areas of each county. Failure to do so opens the way to imposition of regulations by the State Land Use Commission. In addition, it has enacted legislation to promote economic development in non-urban areas.

Hawaii has adopted a state quality-growth policy and an anticrowding act to limit the number of people and automobiles entering the state, and a coastal zone land management program.

Maine has established state control over farm land and open space land use, empowered its state environmental control agency to veto proposed locations of commercial and industrial facilities, and given the Maine Land Use Regulation Commission authority to regulate the development of unorganized and deorganized townships plus mainland and island plantations (about 42% of the state's land).

Minnesota has created an experimental city authority to ensure coordinated planning among levels of government and with private individuals in experimental cities.

New Jersey and Delaware have provided for state control over the use of coastal tidelands.

New York has provided for state regulation of electric power generating sites.

North Carolina has adopted a coastal protection act.

Rhode Island has established a state economic development corporation, among whose powers are to condemn, manage, and lease land and to overrule local zoning proposals.

Texas, by legislative resolution, has established an official state policy position to guide state action on urban growth and development. Factors included in the policy position are environmental quality, community development, individual opportunity, and strengthened local government.

Virginia has instituted a study to lay the foundation for a state growth and development policy.

The governor of Oregon in 1971 called for zero growth in that state, and the same year the governor of Colorado publicly opposed further state promotion of development east of the Rockies and urged the channelling of industry to less developed regions.

Two groups of states – the six Rocky Mountain States and 15 Southern states – have developed regionwide growth policy planning mechanisms, the former through the Federation of Rocky Mountain States and the latter through the Southern Growth Policies Board.

Other states have expanded or enacted greenbelt laws and placed wetlands under planning.

All of these, and a great many other actions by the states since 1970, despite the failure of the Federal government to grapple more effectively with the problem of growth, reflect a great quantitative and presumably qualitative involvement in directions recommended by ACIR and other study groups. They demonstrate the potential of the states in this important area; the states "may be able to guide growth . . . effectively and equitably" while at the same time they may "be able to solve environmental and social problems of regional and statewide scope by considering the interests of citizens who live outside a locality but are affected by that locality's actions [and to] overcome local officials' vulnerability to local pressures by strengthening regional decision-making."[102]

It is not a smooth road for the states, however, as the state planning officer of North Carolina recently testified. He outlined the complexities of trying to develop state control of economic growth and concluded that "In most states, given the purposes which growth policy implies – the ambivalence of public opinion, the failure of economic science to isolate critical controls, [and] the managerial weakness of state government – I am not certain that [development of state growth policy] really matters at all." Until all phases of growth policy are brought together and made into a comprehensive statewide plan, with definite, agreed upon purposes clearly articulated, much state planning, he concluded, was just "conjuring up things for planners to do."[103]

Local Actions. To note the disabilities of local urban growth policies is not to say either that there is no role for local governments in that area or that localities have not moved in the same direction on their own.

Until recently, the typical suburban municipality (and it is these units which are where the urban growth is) has been able to proceed pretty much as it saw fit with regard to growth policy and land use regulation. (As noted earlier, the relatively unlimited power in local jurisdictions to zone has been a highly attractive inducement to new incorporations in many of the nation's metropolitan areas). During the past five years or so, however, several new factors have emerged to create real dilemmas for municipal governments, and to reduce considerably municipal self-determination and "home rule" regarding future growth. In addition to a great deal of state assumption of responsibility over growth policies, the new factors include:

- court decisions overturning large lot zoning and other local land use actions that tend to be racially or economically discriminating;[104]
- entry of large corporations into residential and apartmental home building and consequently availability of high-powered legal talent for vigorous pursuit of state judicial review of local decisions;
- unexpected social and economic heterogeneity arising from success in attracting industry for tax base purposes;
- increasing activity of environmentalists both inside and outside the municipality in challenging a wide variety of proposed public works projects;
- overload of waste treatment plants and consequent forcing of building moratoria by state or federal agencies; and
- shortages of power and fuel in recent months.

A combination of these and other developments has produced a drastic change in previous suburban growth policies. Industry is no longer given an unqualified welcome, because it brings along with heterogeneity the responsibility for providing housing while counteracting air and traffic pollution. Also industry is no longer so badly needed for tax base purposes, due to the easing of the school fiscal squeeze through declining enrollments and lessening dependence on the property tax for educational financing.

This change and the growing local concern with environmental quality, as well as rising public service costs due to unplanned growth, have caused some county boards of supervisors and city councils to take action restricting growth within their boundaries. Curbing the number of water and/or sewer taps, placing moratoria on both zoning changes and the issuance of building permits, limiting the allowed types and kinds of housing (multifamily, number of bedrooms, etc.), mandating dedication by developers of necessary public facilities, and the phasing of growth to availability of public facilities have all been used as ways to achieve that objective. The last approach has been upheld by the New York Supreme Court in the Ramapo case, validating the Town of Ramapo's action in tying building permits issuance to the progress of the town's long-range capital program. A similar case involving Petaluma, California – which placed an annual numerical limit on new residential development – was first denied the right to do so by the California courts, but then had its plan approved upon appeal to the Federal courts. *The New York Times*, reviewing the "chaotic pattern" of local response to the need to curb urban growth, concluded that

> one thing is clear. The lower the geographical level on which decisions are made, the narrower the interests served. If the distribution of the country's population is to be guided at all, the job surely cannot be done by local communities acting arbitrarily in their own interests. It is part of a whole complex of land-use planning, which is a function of all the states, acting in harmony and conforming to some basic national standard.[105]

Housing: A Central Issue

An important aspect of growth policy is the assurance of a range of housing quality and price, especially at low- and moderate-income levels. Federal housing programs and their administration and the activities of local housing agencies for a long time occupied center stage in public and governmental attention in this field.

In 1972, a crisis in public housing programs developed which had major implications in the equal rights area. Evidence abounded that the combination of liberalized occupancy requirements and maximum income ceilings on residents had greatly expanded the proportion of unstable and dependent families in the units to at least one-half, according to some estimates, and had made it difficult, if not impossible, to locate new projects in stable and/or middle-income neighborhoods, regardless of race. The demise of the Pruitt Igoe project in St. Louis symbolized the frustrations in public housing.

The same dilemma in housing was reflected in Congress. The proposed *Omnibus Housing and Urban Development Act of 1972* would have continued low-income housing programs without substantial reform, even though the rest of the bill would have made sweeping changes in other programs. The skeleton substitute which was enacted (P.L. 92-503) did include an increase of $150-million in public housing contract authority and removed the statutory maximum limitation on annual contributions contracts for public housing. The *Housing and Community Development Act of 1974*, discussed in *Chapter II*, did not affect the core housing programs of the Federal government, though of course as it is implemented, the various programs brought together in it can hardly help but affect the housing programs in an intimate way.

The impact of that act has already been felt on the Federal government's housing efforts. Rehabilitation, rather than destruction, has become the dominant theme, and more urban assistance money is going for housing that was formerly the case. Thus, the chairman of the New York City planning commission, John Zuccotti, estimated in 1975 that New York will spend 40 percent of its Federal urban assistance funds on housing, with nearly two-thirds of that amount going for rehabilitation of existing units. Norfolk, Virginia, similarly is shifting its emphasis from slum clearance and replacement housing to neighborhood preservation. A recent HUD survey of the metropolitan cities seeking aid under the new act found a general concern with housing and plans to "rely on rehabilitation to salvage deteriorated housing stock" running at about a 6-to-4 ratio to new construction.[106]

For many years housing was a subject of neglect by state government. In addition to its recommendations concerning state control over building codes and building technology and state enactment of uniform relocation policies, described earlier in this chapter, ACIR has called on the states for several major actions in connection with housing:

- to reduce discrimination in housing;
- to stimulate the provision of low and moderate income housing; and
- to assure close coordination among city and county housing agencies.

A great deal of action by the states can be reported: most states have either adopted or strengthened provisions to finance low- and moderate-income housing. Representative actions by individual states include:

- the establishment in Colorado's Department of Local Affairs of the Division of Housing to provide research, advisory, and liaison services to local authorities promoting more adequate housing. A state advisory board has been set up in Colorado to administer housing construction and maintenance standards, and to set standards in areas where none exist.
- the enactment of legislation by Florida in 1972 requiring the governor to prepare a 12-year plan for the elimination of substandard housing in the state. The plan is to be updated each year until 1986.
- the enactment by Georgia of a package of housing laws that will assist the construction of mass-produced housing by providing technical and advisory assistance and state inspection of factory-built housing.
- the enactment by Hawaii of legislation granting localities the same powers as the state regarding housing projects – authority to acquire necessary land to develop and construct dwelling units and to provide assistance and aid to a person or public agency in developing or rehabilitating low-income housing.
- the creation in both Minnesota and Oregon of state housing agencies. The Minnesota law, using existing agencies in West Virginia, New York, New Jersey, North Carolina, and Michigan as models, authorized assistance through bonds, seed money, construction money, and mortgage financing. Additional Minnesota legislation went far to improve tenants' rights and to establish incentives for private construction.
- the taking-over by South Carolina's statewide public housing authority of all the powers of local housing authorities.
- the direction by Texas to state pension fund administrators to invest funds, to the extent possible, in government-backed housing securities.
- the creation by Virginia of an office of housing within the Division of State Planning and Community Affairs to set policies and develop goals; the establishment of a seven-member housing development authority empowered to sell tax-exempt bonds to finance housing for families with low- and moderate-incomes; and the enactment of a fair housing law, the first state act of this type in the Old Confederacy.

A new thrust in the housing field by local units of government was launched in 1973, when Wilmington, Delaware, undertook an urban homesteading program, "a modern variant of the pioneer homesteading program that provided 160 acres of Western land to anyone who would settle on it." Under this program, the urban homesteader is offered free, or at low cost, an abandoned house in an urban area if he will renovate it and bring it up to building code standards – and live in it. Other cities that have experimented with the idea are New York, Philadelphia, Baltimore, Newark, Washington, Atlanta, Rockford, Illinois, Minneapolis, and St. Louis. Unfortunately, "serious problems have plagued the projects in most cities."[107] Financing has been the chief problem – many homesteaders underestimated the cost of rehabilitation – but red tape has been another problem, and before the present economic slump, contractor resistance was another. The Department of Housing and Urban Development, however, is willing to support a fuller test of the idea and has announced its plan to invite about ten communities across the nation whose neighborhood preservation plans have been approved to take part in a $5-million demonstration program beginning in the summer of 1975.[108]

A good many metropolitan areas – Dayton, Ohio, Washingotn, D.C. and Minneapolis-St. Paul, Minnesota, first among them – have adopted areawide "fair share housing" formulas designed specifically to distribute Federally assisted housing units more evenly throughout their metropolitan areas. Using such a formula, the area's local governments can speak to HUD with one voice and seek major influence over HUD's project selection decisions. The Washington area COG's board of directors ordered that the fair share formula be used in evaluating all Federally assisted housing under the A-95 system.

Unresolved Questions

Despite all these actions at the Federal, state, regional and local levels, questions of desirability, feasibility and instrumentalities remained on the agenda of unresolved problems for supporters of a national growth policy. Some of the specific questions raised by these problems were presented by ACIR in its statement on the President's 1972 report for the House Subcommittee on Housing:

- Is is feasible, within the Executive Branch, to achieve a better coordination of direct Federal and grant-assisted efforts affecting the geographic location of people and economic activities?
- Is Congress capable of developing a genuine oversight role with regard to the various ongoing efforts of the Federal government that condition urban development?
- Can a resources allocation strategy be devised that actually differentiates between areas and communities that are likely to grow and those that are not?
- Can a broad underlying geographic strategy be developed jointly by Federal and state governments and followed in their implementation efforts?
- Do the hundreds of multicounty organizations established over the past seven years in both rural and urban America, pursuant to Federal and state initiatives, constitute a desirable kind of program and management response to urban growth by policymakers at these higher levels?
- Does the Federal government, as one of the prime movers in metropolitan areas, have any responsibility for attempting to consolidate the areawide planning requirements and the areawide districts and bodies that have been spawned as a consequence of Federal grant legislation and administrative regulations?
- Can the general governments of the federal system and their politically accountable decisionmakers actually achieve control over, and coordination of, the fractionated efforts of program specialists and technicians – and their interest group and citizen allies – given the latter's drive for special and single agencies, special districts and single-purpose planning bodies at the substate and multistate levels?

These questions now, more than ever, demand answers.

To conclude, the peril of pressured cities and the plight of eroding rural areas are immediate and interrelated. They must be confronted. Yet, long-term solutions must focus on a grant design for encouraging an urban growth that is more balanced, more beneficient, and less bumptious than has been experienced to date.

By establishing a national urbanization policy, the three traditional levels of government – along with the private sector – can join in a bold venture of ending the stagnation of sparsity and curbing careening congestion.

Such a policy can begin to unshackle the nation and its people from conventional approaches to urban development – to free them from the near determinism that has sapped their sense of mastery over physical environment and social problems.

FOOTNOTES

[1] James L. Sundquist, "Population Dispersal: Europe Stops the Urban Swarm," *Nation* (July 20, 1974), quoted in *Congressional Record* 119: S 16521 (September 12, 1974).

[2] *The New York Times* (April 22, 1972), p. 36.

[3] U.S. Executive Office of the President, Domestic Council, Committee on Community Development, *Report on National Growth and Development 1974, Transmitted to the Congress December 1974* (Washington, D.C.: U.S. Government Printing Office, 1974), pp. 13-16. Data from these pages has been essentially reproduced in this section of this report.

[4] *The New York Times* (June 11, 1974), p. 86.

[5] See *footnote 1, Chapter I* for the definition of an SMSA.

[6] In 1971, greater Anchorage, Alaska, was designated as an SMSA.

[7] Quoted in *The New York Times* (March 12, 1975), p. 22.

[8] Roy Read, "Rural Areas' Population Gains and Outpouring Urban Regions," *The New York Times* (May 18, 1975), quoted in *Congressional Record* (May 22, 1975), 120: S9013-4.

[9] U.S. Bureau of the Census, *Current Population Reports*, Series P-20, No. 285, "Mobility of the Population of the United States: March 1970 to March 1975" (Washington, D.C.: U.S. Government Printing Office, 1975), p. 5.

[10] U.S. Executive Office of the President. Domestic Council Committee on National Growth, *Report on National Growth*, (Washington, D.C.: U.S. Government Printing Office, 1972), p. 28.

[10] The classification of cities project that ICMA participated in was based on 1960 Census data. The results were published in the 1970 *Municipal Year Book* and in the June 1971 *Urban Data Service Report*. In addition, there is a book on the subject edited by Brian Berry, *City Classification Handbook: Methods and Applications* (New York, 1972).

There are tentative plans for a complete re-do of the city classification based on the 1970 Census.

[11] U.S. Department of Commerce, *Survey of Current Business* (August 1968), pp. 25-46.

[12] Emmett Keeler and William Rogers, *A Classification of Large American Urban Areas* (Santa Monica, Calif.: The Rand Corporation, May 1973).

[13] U.S. Department of Commerce, Bureau of the Census, *Current Population Reports*, Series P-23, No. 37, "Social and Economic Characteristics of the Population in Metropolitan and Nonmetropolitan Areas, 1970 and 1960," p. 2. The statistics in this section are all from this source.

[14] Professor Wilbur Thompson, Remarks in "National Growth and Its Distribution," *Symposium on Communities of Tommorrow* (Washington, 1967), p. 16; "income-elastic services" are those which respond more than proportionately to changes in income.

[15] ACIR, *Urban and Rural America: Policies for Future Growth* (A-32), (Washington, D.C.: U.S. Government Printing Office, April 1968), pp. 43-45.

[16] Thompson, *Symposium on Communities of Tomorrow*, p. 14.

[17] ACIR, *Urban and Rural America*, p. 44.

[18] Thompson, *Symposium on Communities of Tomorrow*, p. 16.

[19] Daniel J. Elazar, "Urbanization and Federalism," in *A Nation of Cities* (Chicago, Illinois: Public Affairs Conference Center, 1965), p. 9.

[20] Roger Revelle, "Pollution and Cities," in *The Metropolitan Enigma*, ed. James Q. Wilson, (Washington, D.C.: 1967), p. 87.

[21] The Regional Plan Association, *The Region's Growth, A Report of the Second Regional Plan* (New York: 1967), p. 22.

[22] See the executive summary, Council for Environmental Quality, HUD, and EPA, *The Costs of Sprawl* (Washington, 1974), which is based on the report *The Costs of Sprawl: Detailed Cost Analysis* (Washington, 1974).

[23] *Ibid.*, p. 6.

[24] U.S. Executive Office of the President, Domestic Council, Committee on Community Development, *Report on National Growth and Development 1974*, pp. 16-18.

[25] ACIR, *Impact of Federal Urban Development Programs on Local Government Organization and Planning* (A-20), (1964); *Metropolitan Social and Economic Disparities: Implications for Intergovernmental Relations in Central Cities and Suburbs* (A-25), (1965); *Relocation: Unequal Treatment of People and Businesses Displaced by Governments* (A-26), (1965); *Building Codes: A Program for Intergovernmental Reform* (A-28), (1966); *Urban and Rural America: Policies for Future Growth, op. cit.*

[26] Allen D. Manvel, *Local Land and Building Regulation*, Research Report No. 6, Tables 1 and 2 (Washington, D.C.: National Commission on Urban Problems, 1968).

[27] Charles G. Field and Francis T. Ventre, "Local Regulation of Building: Agencies, Codes, and Politics." *The Municipal Year Book 1971* (Chicago, Illinois: International City Management Association, 1971), p. 143.

[28] The FHA sets minimum construction standards, but they do not apply to whole communities, nor do they restrict a locality from tacking on excessive standards.

[29] *Ibid.*, p. 144.

[30] "Flexible, not rigid, standards the coming thing," *Business Week* (January 1, 1972), p. 48.

[31] ACIR, *Building Codes: A Program for Intergovernmental Reform* (A-28).

[32] *Ibid.*, p. 85.

[33] *Ibid.*

[34] *Ibid.*, p. 87.

[35] *Ibid.*

[36] *Ibid.*

[37] 88 Stat. 730, Sec. 809 (a).

[38] *Ibid.*, Sec. 809 (e).

[39] *Ibid.*, p. 91.

[40] *Ibid.*, p. 94.

[41] *Ibid.*

[42] For several related draft bills see *ACIR State Legislative Program*, Part 6.3 (M-9), (Washington, D.C.: U.S. Government Printing Office, 1975).

[43] ACIR, *Building Codes*, p. 96.

[44] *Ibid.*, p. 97.

[45] *Ibid.*, p. 99.

[46] *Ibid.*, p. 100.

[47] Michael Sumichrast and Norman Farquhar, *Demolition and Other Factors in Housing Replacement Demand* (Washington, 1967), p. 17.

[48] Robert Groberg, *Urban Renewal Programs Assisted by Title I of the Housing Act of 1949*, Research Report (National Commission on Urban Problems Washington, 1968), (unpublished).

[49] ACIR, *Relocation: Unequal Treatment of People and Businesses Displaced by Governments* (Washington, D.C.: U.S. Government Printing Office, January 1965).

[50] *Ibid.*, p. 114.

[51] *Ibid.*, p. 116. For a draft bill see *ACIR State Legislative Program*, Bill No. 6.105.

[52] ACIR, *Metropolitan Social and Economic Disparities: Implications for Intergovernmental Relations*, p. 104. For suggested state legislation, see *ACIR State Legislative Program*, 1975, Bill No. 6.201.

[53] P.L. 90-284, Sec. 810 (c), 82 Stat. 73, 86. An act to prescribe penalties for certain acts of violence or intimidation, and for other purposes.

[54] ACIR *Metropolitan Social and Economic Disparities*, p. 99.

[55] P.L. 90-448, 82 Stat. 476, *Housing and Urban Development Act of 1968*.

[56] ACIR, *Relocation*, p. 106. See also *Federal Management Circular (FMC) 74-8* (replacing *OMB Circular A-103*).

[57] *Ibid.*, p.110. See "Uniform Relocation Assistance" model law in *ACIR State Legislative Program*, 1975, bill No. 6.105.

[58] See the *Third Annual Report* (unpublished) and the *Fourth Annual Report from the President to Congress on Federal Activities Governed by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970*, both prepared by the General Services Administration. The latter volume was published as a committee print by the Subcommittee on Intergovernmental Relations, Committee on Government Operations, Senate, 94th Cong., 1st sess., March 1975.

[59] From President Nixon's letter to the Congress, accompanying the Third Annual Report.

[60] ACIR, *Relocation*, p. 122.

[61] Manvel, *Local Land and Building*, p. 22.

[62] *Ibid.*, Tables 1 and 2.

[63] See *Chapter IV* of this study.

[64] ACIR, *Governmental Structure Organization and Planning in Metropolitan Areas* (Washington, D.C.: U.S. Government Printing Office, 1961), p. 32.

[65] *National Civil Review*, July 1962, pp. 384-90.

[66] *Regional Review Quarterly*, January 1971, p. 2.

[67] John C. Bollens and Henry J. Schmandt, *The Metropolis. Its People, Politics, and Economic Life*, 3rd ed. (New York, 1975), p. 206.

[68] Advisory Commission on Intergovernmental Relations, *Impact of Federal Urban Development Programs on Local Government Organization and Planning* (Washington, D.C.: U.S. Government Printing Office, 1964), p. 34.

[69] H.R. 13211 and S.3228, 91st Congress, 1st Session. *The Balanced Urbanization Policy and Planning Act*. That act drew from certain Commission recommendations in *Urban and Rural America: Policies for Future Growth* (A-32) and *Fiscal Balance in the American Federal System* (A-31). It would have provided for the development of a national policy on urban growth by the Executive Office of the President and an annual urbanization report to Congress and the nation; established a system for Federal program support of comprehensive planning, replacing Section 701 of the *Housing Act of 1954*, as amended; and applied a uniform definition of comprehensive planning and a coordinated approach to functional planning conforming requirements for grant programs. It cleaned up and consolidated into a single bill all of the comprehensive planning requirements then attached to many of the Federal aid programs as well as several functional planning programs.

[70] Advisory Commission on Intergovernmental Relations, *Fiscal Balance in the American Federal System*, 2 Vols., (Washington, D.C.: U.S. Government Printing Office, 1967), 1:34.

[71] See *Chapter II.*

[72] ACIR, *Metropolitan Social and Economic Disparities*, p. 94. For a draft legislation see *ACIR State Legislative Program*, 1975, Bills No. 5.202 and 6.202.

[73] ACIR, *Urban and Rural America*, p. 166.

[74] See *Chapter IV* of this report.

[75] Advisory Commission on Intergovernmental Relations, *Alternative Approaches to Governmental Reorganization in Metropolitan Areas* (Washington, D.C.: U.S. Government Printing Office, 1962), p. 24.

[76] See *ACIR State Legislative Program*, 1975, Bill No. 5.202.

[77] See *ACIR State Legislative Program*, 1975, Bill No. 5.204.

[78] For the draft legislation see *ACIR State Legislative Program*, 1975, Bill No. 5.206.

[79] For a draft bill see *ACIR State Legislative Program*, 1975, Bill No. 5.205.

[80] ACIR, *Urban and Rural America* (A-32), p. 159. For draft legislation see *ACIR State Legislative Program*, 1975, Bill No. 5.203.

[81] *Ibid.*, p. 131.

[82] *Ibid.*, p. 134.

[83] ACIR, *Multistate Regionalism*, A-39, (Washington, D.C.: U.S. Government Printing Office, 1972).

[84] ACIR, *Urban and Rural America.*

[85] See *ACIR State Legislative Program*, 1975, Bills No. 5.101 and 5.102.

[86] See the draft bill in *ACIR State Legislative Program*, 1975, Bill No. 5.106.

[87] See the draft bill in *ACIR State Legislative Program*, 1975, Bill No. 5.105.

[88] ACIR, *Fiscal Balance in the American Federal System* 2 vols. (Washington, D.C.: U.S. Government Printing Office, 1967), 2:21. For wording of a constitutional amendment permitting states, their political subdivisions, and any public corporation, to grant or lend funds to an individual, association, or private corporation to further economic and community development, see *ACIR State Legislative Program*, 1975, Bill No. 6.107.

[89] An editorial in *Western City* summarized the rules which states should follow in establishing land use regulations:

> Given a clear slate, several objectives [of land use planning] come to mind at once. There should be as few units of government as possible. The units should be capable of effectively dealing with their responsibilities (problems). The financing of levels of service, standards, programs, etc., should be the responsibility of the unit determining the level of service, etc. All units should be multipurpose [and] visible . . . unit jurisdictions should be consistent with community of interests. [August 1972 issue, quoted in *The Municipal Year Book 1973* (Chicago, 1973), p. 6.]

[90] See *ACIR State Legislative Program*, 1975, Bills No. 5.102 and 6.102.

[91] Philip Nichols, *Eminent Domain* (New York: Bender, Matthew & Co., 1950-53) Section 7.2, p. 63.

[92] See *ACIR State Legislative Program*, 1975, Bill No. 6.110.

[93] U.S. Executive Office of the President, Domestic Council, Committee on National Growth, *Report on National Growth 1972.*

[94] During 1970, the White House National Goals Research Staff prepared a report, *Toward Balanced Growth: Quantity with Quality*, which explored growth and development goals and ways to approach them. Thus, the Domestic Council did not have to begin its work from scratch.

[95] *Ibid.*, p. x.

[96] See *ibid.*, Chapters III and IV.

[97] U.S. Executive Office of the President, Domestic Council, Committee on Community Developments, *Report on National Growth and Development 1974.*

[98] See especially the *13th and 14th Annual Reports of the Commission* (M-73), (February, 1972) and (M-76), (January 1973).

[99] See Norman Beckman and Susan Harding, "National Urban Growth Policy: 1972 Congressional-Executive Action," *Journal of the American Institute of Planners*, July 1973, pp. 229-243. The footnotes to that article contain other important citations. See also Senate Document 93-19, 93rd Cong., 1st Sess., *Toward a National Growth Policy: Federal and State Developments in 1972*, and Library of Congress, Congressional Research Service, Development of National Urban Growth and *Rural Development Policy: Legislative and Executive Actions in 1970 and 1971* (HC56 U.S. B. Gen. 71-240D, March 23, 1972).

[100] Quoted in *Durham Morning Herald*, March 18, 1975, p. 3.

[101] Quoted in *The New York Times*, November 19, 1973, p. 41. The *Florida Environmental Land and Water Management Act of 1972* puts the state government in a position to exercise a limited degree of control over the growth and development of the state, while preserving the processes of local govern-

ment agencies and protecting the rights of private landowners. Even though the role of the state is focused on those land use decisions whose impact is outside the boundaries of the local government in which the land is located, the act is far reaching and comprehensive. It empowers the governor and cabinet to designate no more than 5 percent of the total state land areas as areas of "critical state concern." Local governments may adopt appropriate land development regulations for those areas, but if the local unit fails to do so, the state may supply guidelines for growth.

The act also gives the governor and cabinet power to adopt guidelines and standards to be used in deciding whether certain land developments are "developments of regional impact." Those guidelines and standards became effective July 1, 1973. In general, "developments of regional impact" are those which because of their character, magnitude, and location would have a substantial effect on the health, safety, or welfare of the citizens of more than one county.

The Division of State Planning is given responsibility for making recommendations to the governor and cabinet as to both "areas of critical state concern" and "developments of regional impact." It was also empowered to approve local land development regulations in "areas of critical state concern," give technical assistance to local government agencies, and write the development regulations in the event the local government(s) fails to respond with suitable regulations.

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[102] League of Women Voters Education Fund, *Land Use* (Washington, D.C.: 1974), p. 17.

[103] Quoted in *The Durham Sun* (N.C.), December 24, 1974, p. 8A.

[104] An example is the New Jersey Supreme Court decision in March 1971, invalidating the zoning laws of Mount Laurel Township in Burlington County on the grounds that those laws effectively excluded poor and moderate-income families.

[105] *The New York Times*, August 5, 1974, p. 22.

[106] An Associated Press dispatch to *The Durham Sun* (N.C.), June 4, 1975, p. 10C.

[107] *The New York Times*, March 30, 1975, p. 32.

[108] *The New York Times*, May 31, 1975, p. 41.

Chapter VI

Epilogue: Intergovernmental Problems and Strategies for the Future

This report has sought to describe the major intergovernmental problems that beset today's urban areas (and through them their dependent rural areas as well), and to describe the analyses and recommendations of the Advisory Commission on Intergovernmental Relations in response to many of those problems. A complete description of all the intergovernmental problems facing urban America probably defies accomplishment, as certainly does a complete catalog of urban ills. Nor is it within the possibilities of the Advisory Commission to tackle every intergovernmental problem occurring in urban areas. Thus, what has gone before does not dot all the "i's" and cross every "t" in the American urban situation.

This report, however, hopefully has brought out the range of problems which have developed and the thrust of the Commission's suggestions for solving many of them.

Out of the preceding chapters has come a view of an urban America which has gone up some rungs of the ladder from the depths of the urban crisis of the 1960s; of local governments increasingly active in devising solutions by and among themselves; of states coming to the realization that their role *vis-a-vis* local governments require updating and greater assumption of responsibility on their part; and of a national government which has begun to grapple with the root intergovernmental problems of urban America across a broad front. All three levels have received attention in the studies and recommendations of the Advisory Commission on Intergovernmental Relations as they have moved to take action.

EMPHASIS ON THE STATES

The ACIR recommendations cited throughout this volume call for aggressive and imaginative state action to help cope with the problems in urban America. These recommendations, in fact, far outnumber those addressed to the Federal and local governments. Why this emphasis on the states? Why not more emphasis on the Federal government and its direct relations with urban communities? Why not more stress on citizen responsibility and participation? Certainly both have key roles to play in improving urban America in the years ahead.

The Advisory Commission believes, however, that the state role is the pivotal one in the federal system and that the states must play their role forcefully if the federal system is to live up to its potential.

The states, after all, under Dillon's rule, have life-or-death legal authority over their local governments. They determine local powers, boundaries, and very existence. Thus, state government must accept a significant share of the blame for the proliferation of units of government in metropolitan areas. It was state constitutions and/or legislative enactments that made it possible for so many overlapping local governments to come into being. Most states have not discouraged the creation of new, nonviable units, nor have they really encouraged the consolidation of existing units. They have stood by while individual suburbs have practiced fiscal zoning, and they have placed limitations on local taxing and borrowing powers, thus making it impossible for many cities to raise adequate revenues to finance the services that their citizens increasingly demand.

Moreover, the states have the geographic scope required to deal with problems that increasingly are beyond the reach of municipalities and even of counties in many cases. The areawide nature of such problems as air pollution, water pollution, mass transportation, land use controls, and water supply are well accepted. Except in those 39 instances where such areas straddle state lines, each state government possesses the jurisdictional reach to encompass these problem areas, and even in these interstate cases, the states can be effective through the use of compacts.

On the functional front, states historically – and with mounting intensity in recent years – have administered programs of critical concern to citizens of urban areas. The effective application of state resources in education, highways, health, hospitals, public assistance, and conservation of natural resources – to name only a few areas of action – can have a major impact on the urban resident's education, job training, employment and access to it, freedom from want of basic necessities, and access to social, physical, and cultural amenities. This becomes even more pronounced as state government becomes more deeply involved in solving social and economic problems. Moreover, where local governments are responsible for administering similar or parallel functional programs, the states have the administrative structure and personnel to offer relevant technical assistance.

Finally, the states have a far greater capacity to harness taxable resources than their localities. In a time of mounting awareness of revenue and service disparities among local units of government in metropolitan areas, the states also have the jurisdictional reach and the authority to equalize effectively the resources among these local units.

Calls for State Action

In placing heavy emphasis on state action regarding metropolitan problems, ACIR is urging the states to make the most of their pivotal role in the federal system. It is asking them to live up to their constitutional and political position of leadership and responsibility for the well-being of all their citizens, including those living in metropolitan areas. This involves state action on five fronts.

1. Empowering Appropriate Localities to Perform More Effectively within their Existing Jurisdictions, and to Join with their Neighbors to Tackle Joint Problems. This means giving certain general purpose local governments "residual powers" to exercise all authority except that which is specifically denied by constitution or statute. It means authorizing the creation of metropolitan study commissions, the transfer of functions between cities and counties, the negotiation of intergovernmental contracts and agreements (except among non-viable units), the effective use of regional councils of elected local officials and of metropolitan functional authorities, and the liberalization of municipal annexation policy (under certain safeguards). It means strengthening county government by broadening its powers, by authorizing it to establish differential taxing authorities so as to distinguish equitably between urban and rural service costs, and by facilitating consolidations between cities and counties, as well as among counties. It means empowering cities and counties to adopt optional forms of government, and allowing them to establish neighborhood subunits and special services to help rural migrants adjust to urban living.

On the fiscal side, it means state liberalizing or removing property tax and debt limits, enabling localities to invest idle cash profitably and safely, authorizing the addition of local tax supplements to state sales and income taxes, and providing cities and adjoining jurisdictions in large metropolitan areas with uniform taxing powers and authority for cooperative tax enforcement.

2. **Restraining Local Communities from Further Complicating the Intergovernmental Chaos of Fractionated Metropolitan Areas, Including the Intensification of Social and Economic Disparities.** This involves state establishment of state or local boundary commissions; placing firmer controls on new incorporations and on the formation, merger, and dissolution of special districts; discouraging non-viable units by withholding state aid; and restricting zoning authority in metropolitan areas to larger municipalities and county governments in order to encourage a wide range of housing prices.

In terms of revenue, it means that the states should encourage local governments to use more responsive taxes and discourage the smaller jurisdictions from excessive tax diversity. Pending state assumption of substantially all costs of elementary and secondary education, the states should authorize regional school property taxing districts to assist in equalizing the property tax burdens of school financing between central cities and suburbs.

3. **Providing Policy and Program Leadership by Improving the Delivery of State Services that Impact Directly on Urban Citizens, Not Only by Helping Urban Governments Improve their Revenue Systems but also by Encouraging Areawide Approaches and Providing Technical and Financial Assistance to Localities.** The states need to see to it that their agencies for local or community affairs perform the advisory and coordinating roles expected of them and possibly become directly involved in administering such state urban assistance programs as housing, urban renewal, and planning. Governors should use their good offices to mediate interlocal disputes. States should provide financial incentives to localities to establish joint undertakings. To increase the housing supply for low income groups, states should authorize local units to purchase existing housing, lease quarters in private housing, and permit financial assistance to private non-profit groups for the provision of subsidized housing to low-income groups. They should establish uniform relocation assistance requirements for persons and businesses displaced by state and local projects, and help localities pay the cost of such assistance.

Fiscally, states should equalize general local support grants to reflect varying fiscal capacities and efforts, and should improve the allocation of highway user revenues in fairer recognition of urban needs. They should establish machinery to improve the planning, design, and ongoing administration of all their grant programs. In the education field, they need to reform school aid formulas to release more funds for disadvantaged children and move toward state assumption of substantially all public school financing.

Equally significant, states need to take the final steps toward strengthening local units' primary revenue source, the property tax, by continuing to improve the tax's legal coverage and assessment aspects and providing taxpayer remedies, including full disclosure.

4. **Working With and Through their Local Governments and the Private Sector in Shaping the Course of Future Urban Development.** Better control over urban development and the avoidance of more sprawl necessitate the preparation and adoption of state urbanization policies and making them consistent with national urbanization policies (as they are developed). States need to authorize and encourage the establishment of metropolitan planning and zoning powers in unincorporated areas when comparable county controls are lacking, foster greater uniformity in building codes and better code administration, and allow local governments the power to protect open space by methods other than land purchase. They should consider the creation of state and local land development agencies and the regulation of land use around highway interchanges where adequate local controls are lacking. They should permit improved land regulation devices such as official maps, mandatory dedication of land for school and park sites, and planned unit development zoning. Finally, they should remove barriers to joint public-private efforts to solve urban problems.

5. **Attacking the Functional Thicket.** What is necessary in all but a few metropolitan areas (and non-metropolitan ones as well), across the country is a multipurpose regional unit capable of linking areawide planning with program implementation, and of coordinating authoritatively the diverse activities of separate unifunctional substate districts. The states should, as an interim device pending their long-term modernization of local government, authorize the establishment of umbrella multijurisdictional organizations as the focal point

of regional districting reform. At the same time, the states should take a new look at functional assignments generally and enact legislation creating an ongoing, assignment of functions, policy and process. In such critical functional areas as crime control, water supply and sewerage, and transportation, the states should reevaluate the traditional methods of providing service, and authorize and facilitate regional or areawide (or statewide if necessary) devices and mechanisms needed to provide better service to citizens in urban areas.

Extent of State Responses

While the states have the potential to assume these vital roles in aiding the plight of their metropolitan areas, what assurance is there that they will do so? Up until quite recently, the record of most states in behalf of their urban areas had been almost wholly unresponsive: witness state legislatures dominated by rural interests and pervaded by Jeffersonian suspicions of city people and an abiding faith in the virtue of the rural way of life. Thus, the states not only neglected the cities' entreaties for more freedom to order their affairs as they pleased, but in some cases imposed real restraints upon them.

In recent years, vast changes have occurred – swiftly in some states, more slowly in others. The Federal government moved in to help the states and their urban areas, and in some cases to provide direct assistance to local areas, thus bypassing the states altogether. Yet, a reaction to such Federal involvement, the shift in the makeup of legislatures as a consequence of Supreme Court decisions on legislative reapportionment, and the desire to minimize strife, all have spurred a growing state responsiveness to the needs of urban areas. Evidence of this response is found in the lengthy recitals of state actions along the lines of ACIR and similar proposals in the earlier chapters of this report. A few states, of course, acted long before these prods and proposals.

Yet, even acknowledging all their accomplishments and looking optimistically at the chances for still more achievement along the lines suggested in this report, can the states be relied on to do all that is necessary in the light of still unmet needs and emerging problems? Which will triumph, a heightened sense of responsibility and substantial programs of action, or an ineffective expression of good intentions?

In the judgment of the Advisory Commission on Intergovernmental Relations, the states will increasingly recognize that what the citizens, the cities, and the nation as a whole are entitled to is a positive demonstration that the states are willing and prepared to play the key role in improving urban America which they are constitutionally equipped to play. Specifically, they can be expected to assume greater financial responsibility in a number of urban service areas and to find ways to equalize state aid programs so as to reflect more sensitively the greater program needs and more restricted resources of troubled urban areas. In sum, the states will assume their proper responsibilities for assisting and facilitating urban development.

To help bring this about, the Commission has offered suggestions that the Federal government channel its grants-in-aid to local governments through the states in cases where a state (a) provides appropriate administrative machinery to carry out relevant responsibilities, and (b) provides significant financial contributions, and when appropriate, technical assistance to the local governments concerned.[1]

If the states, indeed, are to accept a larger responsibility for urban America, they will have to put their own houses in better order. The Commission is convinced that playing an effective leadership and financial assistance role means a marked upgrading – by constitutional revision where necessary – of both the executive and legislative branches. All the plans for state leadership, development of an urbanization policy, and state involvement in urban problems generally will be just so much rhetoric unless the governor's office is revamped by giving him a four-year term and the right of succession in office, reducing the number of independently elected executive officials, authorizing a gubernatorial budget to be submitted to each session of the state legislature, and amending the state consitution if necessary to give the governor authority to reorganize the administrative structure of state government and to shift functions among state departments and agencies.[2] In addition, the governor should have the responsibility and the means for comprehensive planning and management of state resources, programs, and personnel.

A strengthened state legislature is equally critical if the states are to play their full role in the Federal partnership. Legislatures should be able to maintain a proper balance against a strengthened executive as well as to discharge effectively the increasingly complex and critical function of lawmaking.

Specifically, the Commission has recommended that "the holding of annual sessions be given serious consideration in those states now holding biennial sessions" and that "legislators be paid on an annual basis in an amount commensurate with demands upon their time" as well as being provided with "year-round professional staffing," at least in the major committees of which they are members.[3] As a part of its oversight and policy-making role, the legislature should participate actively in the formulation and revision of major program and policy plans, as well as reviewing and passing judgment on plans proposed by the governor in his role as chief state planning officer.

The time has been reached where the twin principles of separation of powers and checks and balances need full application at the state level. All states ostensibly adhere to these principles. But, in contrast to the decision of the Founding Fathers to create strong, but balanced, national government, most states in practice have adhered to a theory of pulverized power. At the state level, in contrast to the national, authority is not always responsibly divided and balanced, but is too often smashed into minuscule portions and scattered all over the public and private sectors. Multiple constitutional officers, line agencies, boards, and commissions in the executive branch, and frequently fragmented but usually shackled legislatures, combined with powerful pressure groups operating outside and sometimes inside both branches, all add up to a system that Madison would not applaud. Indeed, the pulverization of the power of most state governments threatens genuine constitutionalism and the entire American federal system.

For many states all of this is strong medicine. But if the problem of making metropolitan areas governable and liveable for all of their inhabitants, described at length in earlier chapters of this report, and the problem of preventing the dissolution of our traditional federal system are to be met, the medicine proposed is not too strong.

Nor can the buck be passed effectively to Washington. Since the 1930s, urban areas have found a receptive ear in Washington, and they are constantly striving to expand this relationship. Yet, from a political standpoint, Washington will not be likely to bear the full relief role, especially in light of the increased strength of suburban delegations in the House of Representatives as a result of reapportionment. Moreover, on the structural and legal fronts, only the states can provide genuine leadership. The Federal government simply lacks the requisite authority, although no one should assume with certainty that the reach of the 14th Amendment has been established for all time.

Looked at another way, the states are the pivots in the Federal partnership as it relates to acting on urban problems. If they fail to maintain that position, they will seriously jeopardize the values which have sustained the American federal system for almost 200 years; diversity, pluralism, experimentation, protection from arbitrary majoritarianism and over-centralization, and a greater degree of citizen participation. That is the ultimate measure of urban America's challenge to federalism in the last quarter of the 20th century.

CLARIFYING THE FEDERAL ROLE

Even though the Advisory Commission has stressed the states as key units in approaching the solution of urban problems, improving urban America still requires a pronounced and positive Federal role. Some aspects of such a role have been alluded to earlier in this report. But it may well be that the policies of the Federal government, when their impact is fully understood, may be more determinative than has so far been generally realized. Research conducted by the Rand Corporation indicates that in three test urban centers – St. Louis, Seattle, and San Jose, California – "Federal laws, policies, and decisions affect the economic growth, decline, or other development to such a degree that local governments may be powerless to solve local problems."[4] The same conclusion may well apply to state power as well.

This situation and the action called for in this report diverge from much current thinking in the Federal government about the fading urban crisis in the 1960s which leads its officials "to give the troubles of the cities a relatively low priority."[5] Federal budget proposals for FY 1976 reflect this relaxation of attention. In a country that takes its lead from Washington, this more casual attitude may well have ripple effects. Thus, at the February 1975 Conference on Federalism in Washington, sponsored by the Advisory Commission on Intergovernmental Relations, the government officials, scholars, and members of the press in attendance paid relatively little attention to urban problems in their discussions.

This report has sought to avoid a tone of crisis. Not only have the problems that seemed likely to blow our cities apart in the 1960s proved not as destructive as they seemed at first, but second thoughts have been taken about the possibility of government action solving all the problems of urban people – or of the American nation in general. Moreover, to call "crisis" too long and too loud is like the boy calling "Wolf!" As Calvin Trillin put it, "The slogans heard again and again in the '60s – the plight of the cities, the urban crisis – may have left the cities with the same kind of difficulty that American Indians face: agreement on their miseries is so nearly universal that there is a temptation to dismiss the situation as hopeless."[6]

But there is an advantage in having a crisis atmosphere in which to work. It keeps attention focussed on the problems at hand and succeeds in attracting the best minds to working on their solution. Without a crisis approach, that attention and those minds tend to be directed elsewhere. And it is not hard to demonstrate that public concern follows crises as well. Thus, if Washington has downgraded urban problems in its list of priorities, it may be that action to attack them will be slower in coming than it might be, from whatever quarter is involved.

It is too bad, also, to have Federal attention diminish while the Federal role itself remains so undeveloped. Note has already been made of the failure of the national government to develop either a consistent fiscal relationship with state and local governments across the range of aid programs in urban areas or a straightforward national urban growth policy in line with ACIR recommendations. Indeed, there is much to say for the assertion that the combination of Federal urban programs in the past has accelerated some of the forces that undermine the quality of urban life today. Specifically, it can be demonstrated that:

- Housing policies, particularly those connected with the Federal Housing Administration, "have encouraged new residential development without a balancing encouragement of the maintenance of existing housing."
- Transportation policies, particularly those dealing with the highway system, have "stimulated low-density spread development on city fringes and the depopulation of urban centers."
- There is no national income maintenance policy; instead there is a deficient and wasteful welfare system that "has locked millions of poor into urban ghettos where they must remain to secure benefits."
- Tax policies "through deductions, allowances, credits and other forms of indirect subsidy have assisted both deterioration and sprawl and accelerated the consumption of valuable resources."[7]

Without serious and high priority concern at the highest levels in Washington, a change in these policy areas probably is not very likely.

It may well be that a change in the Federal role will depend upon developing an institutional focus for urban problems. One change that Congress might make is to single out urban affairs as a matter of committee assignment, even as rural affairs have been pretty well centralized in the Committees on Agriculture for many years, perhaps creating House and Senate (or a Joint) Committees on Urban Affairs. As the Senate now approaches urban problems, it sees them across a range of committees, with the Banking and Housing Committee, to whose title "Urban Affairs" has recently been added, having the most prominent position among them. But there, as with all the other committees, urban affairs are not the committee's sole concern and no overall, integrated approach to urban problems is possible. In the House, the largest share of attention on urban affairs is in the Committee on Banking, Currency, and Housing, though the Committee on Public Works and Transportation is a close rival, and as in the Senate a number of other committees have some concern with urban matters. Representative Herman Badillo (D-N.Y.) prodded the House not long ago in these words:

> We cannot wait . . . [much longer] to revise our jurisdictional treatment of national concerns which are the result and culmination of the changing living and working habits of the American people. More than 70 percent of the population are now considered urban dwellers, yet there is no permanent legislative committee in the House to deal with the regional problems of urban areas including their closely related suburban jurisdictions. The urbanization of the United States is accelerating, and the changing needs of a changing society are simply not being addressed by the Congress.[8]

Yet, in a presidential system such as ours, how Congress is structured is probably not quite as important as how the presidency is structured to deal with a particular problem or set of problems. The American presidency is not well equipped to deal with urban problems. Not only have no occupants of that office tried to be an "urban President" in the same sense that President Johnson considered himself to be an "education President" – and Presidential interest is prerequisite to Executive Branch attention – but the structure of the institutionalized presidency does not make urban public policy a central concern. Thus, it is not surprising that no national "urban plan" has ever come forth from the White House, though in 1969 Robert Merriam (formerly deputy director of the Bureau of the Budget and deputy assistant to the President in the Eisenhower Administration, and now Chairman of the Advisory Commission on Intergovernmental Relations) called for such a plan.

A National Urban Plan

A national urban plan, Merriam argued, might supply central goals and objectives for developing urban America.[9] He believed it important that "the urban problems now straining [the] workability" of our federal system "be the object of national attention." Lacking an overall plan to get at those problems and recommended priorities in allocating resources to attack them, only a continuation of the traditional piecemeal decision process could be expected. A national urban plan, Merriam felt, "should clearly delineate areas of appropriate national interest, make recommendations for an allocation of resources to meet those needs, and propose the legal, organizational, and fiscal means for achieving the objectives." Congress, of course, would have to enact the overall guidelines for whatever arrangements were called for to implement the plan, but this could only be achieved, Merriam thought, if "the President [were to] exercise vigorous leadership and the moral suasion which only he can bring to bear, to rally widespread public support for his plan." He should work with governors, local officials, the business community, labor, religious organizations and leaders, and the academic community – "and, of course, the general public" – to explain the plan and win support for its implementation. "The enormity of this 'selling' job is only exceeded by the size and gravity of our urban problems," Merriam concluded. "Only with a dramatic and comprehensive attack on the problems can sufficient enthusiasm ever be generated to bring it to reality." In this generation, the President's role is crucial.

Merriam gave a few examples of what might be included in a national urban plan. "Interchangeability among government personnel at all levels could easily be expedited by a nationally organized or sponsored recruiting and retirement program. We could have an integrated national management of public finances through creation of a central banking mechanism for financing long-term capital investments at the various levels of government, developing uniform standards for local taxing practices, and a series of block grants (or a tax) *not* earmarked for special purposes. A 'national support budget' could set overall levels of expenditures required to put certain defined minimum levels of public service into effect at various echelons of government. Criteria for local public transportation which measure the cost of new expressways against the cost of mass transportation could be developed. Standards for conservation or [for] urbanized land areas and new town development could be formulated. Minimum educational standards could be evolved. Even a plan to break up the ghettos could be considered."

For a while it looked as if the Urban Affairs Council, a feature of the first Nixon Administration, might be the appropriate vehicle for the development of such a plan and that President Nixon, as the apostle of the New Federalism, might be the man to accept the challenge of leadership which Merriam laid down. But events were to decide otherwise, and those possibilities have disappeared. The Domestic Council, created in the place of the Urban Affairs Council in 1970, has not taken an active leadership role in this either. The basic idea remains good, but it awaits the leadership needed to bring action.

Tackling the Problem of Coordination

If the possibility of Federal adoption and implementation of a national urban plan is still premature, there is much that can be done short of that. James L. Sundquist has summarized the problem of coordination in a changing federal system in his classic *Making Federalism Work.*[10] By the early 1970s, conflict had become characteristic of American intergovernmental relations in urban America, conflict engendered by differing national, state, and local interests and actions in a wide variety of policy areas. Indeed, "lack of agreement over what policy alternatives should be followed" is characteristic of attempts to solve urban problems. "Federal and state governments have not spoken with a single voice on this issue, nor have the cities that have been recipients of financial aid. In fact, we can find many instances where two or more levels of government are pursuing totally different objectives within the same programs."[11]

Moreoever, there are conflicts between skilled and trained administrators on the Federal and (increasingly) state sides of many programs, and the less well trained and less skillful administrators at the local level. There are conflicts between technicians and bureaucrats all along the line and the elected officials of general purpose state and local governments; and there are conflicts between the changing and proper aims and purposes of those general purpose governments and those of the still proliferating single purpose special districts so characteristic of metropolitan areas.

What has been needed for a long time, as Senator Edmund Muskie pointed out as far back as 1966, are:

> new coordinating mechanisms at every level
> of the Federal government. At the top . . . a

> national intergovernmental affairs council, patterned after the National Security Council, to serve as an operating mechanism for developing the President's policies of program coordination, and overseeing their implementation. At the departmental level . . . a deputy undersecretary or his equivalent in each department with "full-time responsibility for coordinating aid programs on a departmental, interdepartmental, and intergovernmental basis." At the regional level . . . a Federal regional coordinator who would be responsible directly to the executive director of the national council. At the local level . . . an office of Federal coordinator in each city.[12]

Subsequent attempts have been made to achieve this coordination, both in Washington and between Washington and the state and local governments, but they have relied "almost wholly upon systems of mutual adjustment rather than of central direction, upon what could be attrained through negotiation among equals rather than through the exercise of hierarchical authority."[13] Thus, there are coordinators aplenty, but they lack the power to enforce coordination.

Sundquist and Davis challenge the Federal government to do better:

> The federal system is an intricate web of institutional relationships among levels of government, jurisdictions, agencies, and programs – relationships that comprise a single system, whether or not it [was] designed as one. The time has come for the Congress and the executive branch to take that system seriously – to stop making changes in any part of that system, by law or administrative order, without considering the impact of those changes upon the system as a whole. The federal system is too important – to the national objectives and community objectives alike – for the country to continue to accept as the structure for that system whatever happens to emerge from the power struggles and treaty negotiations among mutually jealous Federal agencies and the random outcome of piecemeal legislative processes. The federal system is too important to be left to chance.[14]

Too important to be left to chance, it might have been said, by either the Federal government or by the other two partners!

Robert Merriam has concluded that both the states and local governments are "increasingly at the mercy of a Federal government" which can champion "such concepts as 'New Federalism,' the devolution of authority, increased block grants, and revenue sharing . . . [while pursuing] . . . impoundments . . . and a complex administration economic program that [ballooned state and local] energy costs, cut deeply into the Federal revenue base, and restrict[ed] Federal aid to states and localities in a [time] of continued high inflation. The states and their subdivisions [were] left . . . to pick up the pieces, to take on new welfare burdens when their own revenues are imperiled, to raise taxes or cut services while Washington cuts taxes to stimulate the economy. . . . Even at this advanced point in our national history," Merriam concluded, "we lack a mechanism to force Washington to consider, before it acts, the profound impact of its every action on state and local government."[15]

In a major new reevaluation of Federal grant programs and the methods used to manage them,[16] ACIR has assessed a number of different recent attempts to strengthen the coordinative forces within the executive branch, and concluded that the Federal government needs a stronger central management capacity. The Commission called upon the President to exert vigorous and visible leadership in five central management activities, including intergovernmental liaison, government-wide grants management, budget preparation, domestic policy development, and legislative reference. Reinstitution of the executive reorganization plan technique, whereby the President submits reorganization plans subject to Congressional disapproval, was endorsed, and the President was urged to appoint a high-level assistant for intergovernmental affairs who would have direct access to the President and would monitor for him the performance of the whole range of activities which are of intergovernmental concern. Departments were urged to designate points of contact for this assistant and to bring together leadership responsibility for departmental grants management activities in a single unit.

Recognizing the current organizational structure of the executive office, specific steps were proposed for strengthening the performance of the Office of Management and Budget and the Domestic Council. These included:

- a thorough review by the Congress and Executive of OMB organization, staffing, and procedures;
- provision for consultation between OMB and

state-local officials on budgetary and fiscal issues;

- transfer to OMB of two management procedures (the TC-1082 grant notification process and the A-95 process by which state and local governments comment upon Federal aid regulations);
- assignment of intergovernmental responsibilities to a key OMB official;
- more regular meetings of the full Domestic Council; and
- merger with the Domestic Council of overlapping policy committees and boards.

Other recommendations specified additional activities for OMB. These included the development of procedures for strengthening interagency agreements and interagency committees; organizing a review of grant standardization requirements, and steps to improve the *Catalog of Federal Domestic Assistance.* Congress was called upon to provide specific statutory authorization for the management circulars and to vest responsibility for their interpretation and enforcement in OMB.

The Commission also recommended a set of six actions intended to strengthen the operation of the Federal Regional Councils. These councils would monitor the implementation of interagency agreements and be designated, by OMB, as "clearinghouses" under *OMB Circular A-95* for the interchange of information on grant applications of major regional impact and intergovernmental significance.

The Commission believes that, together, these recommendations provide a workable approach for strengthening the institutional Presidency as manager and policy maker in the interest of a closer and more effective intergovernmental partnership.

LOCAL POSSIBILITIES

To a large extent, local governments in urban areas have a constrained and residual role to play in attacking the problems of their own residents. As this report has made clear, they are limited in what they can do at least by state authorization, state permission to tax and borrow, and state and/or Federal assistance in funding. This is not to say that they are powerless, but it does suggest the intergovernmental parameters within which local action can be taken. Nor are those parameters legal and structural only: they are also very much a part of the political policy process. As Daniel Elazar put it, *"Localities will have to struggle for policy – as distinct from administrative – control of . . . programs."*

> Despite the fact that Federal-local relations are increasing and are likely to increase [further], the localities are not assured that these relations will continue to emphasize local decisionmaking with outside financial and technical assistance as in the past. The evidence is that the present pattern will be continued. Nevertheless, the localities will have to compete against the pressures for excessive equalitarian leveling and collectivist action that could make local control a relatively hollow achievement. These pressures will continue to be directed toward eliminating the policy-making powers of local government, particularly in the realms of housing, zoning and urban development. The growth of expertise at the local level could help offset these pressures unless the new urban professionals themselves identify with these centralizing goals.

Elazar goes on to suggest that in their efforts to preserve policy control,

> the localities would be wise to place increased reliance upon [the] states. The major pressures for direct Federal-local relations that bypass the states come from the nation's largest cities, whose populations equal or exceed the populations of many states and who consequently have adequate self-sufficiency and expertise to work directly with Washington without being at a great disadvantage. As the nation's population decentralizes within the metropolitan areas and within the belts of urban settlement that are forming in various parts of the country, more people will be living in smaller units of local government. Since the chances for local consolidation have diminished and, indeed, the value of such consolidation has become increasingly suspect, there will be relatively few local units capable of dealing with Washington, simply by virtue of their lack of appropriate personnel. The states will provide assistance in most cases for a certain price, namely, a "say" in local decisions. While this price is not likely to be great – the states are also committed to the principle of local control – it will give the localities additional need to define their positions as well.[17]

Indeed, it is already being argued that Federal intervention in local affairs is a trend that must be stopped. For example, the impact of the amendments to the *Fair Labor Standards Act*, which extended that act's coverage to state and local government employees, has been cited by the National League of Cities and National Governors' Conference as an invasion of the legitimate internal operations and management of state and local governments.[18] These organizations felt so strongly about this issue that they challenged the act in court and won a close (5-4) Supreme Court decision overturning it.[19] The majority opinion noted that if Federal regulations of minimum pay and maximum hours took effect, "there would be little left of the states' separate and independent existence." In appealing to the Supreme Court, NLC noted that:

> This law is one more building block in an inadvertent national urban policy that finds Congress continuously passing legislation and adding to the restrictions of local governments in solving their own problems. . . . It's our intention to take these on at evey turn.[20]

REDEFINING THE "URBAN" PROBLEM

The issue of Federal intervention is an old one, however, and it is not likely to be solved easily or quickly. In any case, a more fundamental reordering may be necessary first, and that is the need to redefine the nature of the "urban" problem itself. The emphasis in this study has been on improving urban America as a necessary prerequisite to keeping a viable way of life in the United States. It has been mentioned several times, however, how related and dependent the rural areas of the country are to urban America. It can be argued, in fact, that improving urban America can only be done if the problems of rural America are tackled simultaneously. Improvements of both segments of American society should proceed hand in hand.

Thus, it is of vital importance to urban areas that nearly half of the nation's poverty and 60 percent of its substandard housing are in rural areas, and that rates of unemployment and underemployment in rural areas are well above the national average: that more rural than urban children do not go to school (5.3% to 3.8%);[21] that there is only one physician for about every 665 people across the nation, but that in the nation's rural areas, there are more than twice that number of people per physician; that rail and bus service continue to decline in rural areas; and that subdivisions, strip mining, and recreation developments take as much as one and a half million acres of rural land each year. It is important to urban areas that all this – and more – is true of rural areas, not only for humane reasons but especially because these factors combine to produce the outmigration of rural people to metropolitan areas that has been responsible for much of the present urban situation. As Senator Hubert Humphrey put it recently, "The impact of these [rural] problems is not limited to [those] areas alone. Every city in America has felt their consequences. Substantial rural to urban migration has, at least in part, been responsible for overcrowded housing, high rates of joblessness, unanticipated demands for health, education, and other public services, rising crime rates, swollen welfare rolls, and urban congestion in general."[22]

To be sure, this relationship has been recognized by and built into at least the *Agriculture Act of 1970*. Title IX of which commits the Federal government to develop a national policy of "sound balance between urban and rural America." The same commitment was made in Title VII of the *Housing and Urban Development Act of 1970* and in the *Rural Redevelopment Act of 1972*. And there is a large volume of other legislation directed toward specific problems of those in the agricultural sector of the American economy.

Despite these measures, it has recently been charged, that the legislation of the last several decades has reflected concern for America's urban condition at the expense of conditions in rural America: in other words, our governments have not yet recognized the urban-rural connection. The Senate Agriculture and Forestry Subcommittee on Rural Development held oversight hearings on Federal programs serving rural America in the spring of 1975. Senator Dick Clark (D-Ia.) reported to the Senate at that time:

> At these hearings, we . . . heard over and over again that national legislation is too urban-oriented – that the majority of Federal dollars are being used to solve the problems of the cities, leaving rural areas without the resources to help solve many of their most pressing problems. . . . One way to prevent any discrimination against rural interests is to insure that legislative proposals reflect the interests of both rural and urban [areas], and that must be done while legislation is being formulated by Congressional committees.[23]

The First National Conference on Rural America, held in Washington in April 1975, attempted to bring the concerns and problems of rural citizens to public attention, and to the attention of Congress and the executive branch "as the nation reevaluates its domestic and international policies in the months ahead."[24] Simultaneously, a new organization, Rural America, Inc., was formed to give voice to the needs of rural America. With these new forces at work calling for a more realistic balance, it is obvious that planning for urban improvement can no longer, if indeed it ever could, be divorced from broader planning for the nation as whole. The "urban problem," in other words, has to be broadened considerably in the minds of both government and the lay public alike.

NEW ISSUES EMERGE FROM THE ECONOMY

The most severe recession since the 1930s highlighted three emergency issues in the intergovernmental fiscal arena:

- Because of the tremendous growth in both state-local tax collections and spending patterns and their increasing reliance on Federal grants over the past 20 years, Federal-state-local fiscal actions should, to the extent possible, be geared to the implementation of an integrated economic policy. Any attempt to curb inflation by cutting Federal aid is bound to create problems for states and localities. Likewise, any failure to reduce growing unemployment will mean that the states and local governments will have to bear increasing costs of welfare related programs.

- Fluctuations in the economy do not affect all levels of government equally. Because most governments depend for their revenue on income, sales, or property taxes, some combination of these levies – each of which reacts differently to changes in the economy – the fiscal health of different levels and units of government varies greatly.

- Delays by the Federal policymakers in adopting a consistent program to deal with the economy inject a degree of uncertainty that forces state and local governments to adopt cautious spending policies – self-defeating actions with fiscal stimulus is called for. Not only are state and local tax collections and expenditures materially affected by the success or failure of Federal economic policies, but because of the heavy flow of Federal dollars to state and local governments through revenue sharing, plus block and categorical grants, any cutback in such funds designed to fight inflation, or any increase to fight recession, has a major expenditure – and planning – impact on the activities of state and local governments.

An Integrated Intergovernmental Attack

These three factors argue strongly for an integrated Federal-state-local attack on economic problems. To some extent the need to strengthen intergovernmental linkages has been recognized, but basic uncertainties remain. As a practical matter, how can 50 states and 39,000 local governments play an effective role in formulating or assisting in the implementation of economic stabilization policy? All of these questions went unanswered in 1975. And only a few were tackled in 1976.

At least a new state-local role in Federal economic decision making seems to be evolving. For the first time, in 1974, representatives of state and local governments were invited to participate officially in the Federal budget formulation process. A delegation of governors, county officials, and mayors met with key administration officials to express their views on the Federal budget. This early input differed from previous years when state and local officials saw only the final document.

Similar early input was solicited in the course of President Ford's economic summits, which were convened early in his administration to try to find points of consensus and appropriate strategies on how to fight inflation.

These new structured opportunities for state and local input are encouraging in that they begin to reflect an awareness of the need for full collaboration on what had previously been viewed as almost solely Federal concerns. Still, this state and local involvement is minor compared to the total impact of Federal policy on the fiscal conditions of the states and cities.

Another hopeful sign is the passage by Congress of the *Congressional Budget and Impoundment Control Act of 1974*, already referred to earlier in this report. Several features of the new law should have significant intergovernmental payoffs. By setting up a strict budget timetable, and by moving the beginning of the Federal fiscal year to October 1, Congress should be able to act on money bills in a more orderly and timely fashion. This prospect for early determination of Federal funding for programs of interest to state and local governments should remove some of the uncertainty from state and local budgeting. Similarly, the limits on executive impoundments in the act reduce the planning difficulties of state and local programs dependent on Federal funds.

Two other provisions in the law should – in time – be of value in dramatizing the importance of the state and local role in the national economy. The law requires that each time a Congressional committee reports a bill providing new budget authority it must contain an intergovernmental impact statement explaining the bill's financial effect on state and local governments. The impact statements should highlight the importance of Federal assistance to local governments.

The law also instructs the director of the Office of Management and Budget, in cooperation with the director of the newly formed Congressional Budget Office, to provide state and local governments with fiscal, budgetary, and program data in order for them to determine the impact of Federal actions on their budgets whenever possible.

While the full extent of these reforms cannot be known until the process takes full effect, the tools for a more rationally, integrated budget process now appear to exist. Hopefully, there will be increased sensitivity to the intergovernmental impacts of Federal budget actions.

Comparable efforts to rationalize the state budget process have resulted in the creation over the last several years of budget offices under the governor in a number of additional states. And nearly every state legislature now has some mechanism for conducting fiscal analyses.

ACIR Study of the Intergovernmental Fiscal System

As these processes are beginning in Washington and in the state capitals, the Advisory Commission on Intergovernmental Relations is conducting a study which will have considerable relevance. Over the last 15 years, the Commission has examined a wide variety of intergovernmental tax coordination issues, as has been noted in this report, and has placed special policy emphasis on proposals designed to strengthen the state-local revenue systems. It became increasingly apparent, however, that the time had come to take a much broader look at the steady growth in the total Federal-state-local fiscal system.

At its December 1974, meeting, the Commission authorized a study to be conducted in two parts: first, of mechanisms that may account for growth in the public sector, and second, of the impact of the growing financial burdens on various groups of taxpayers. In studying the growth in the Federal-state-local sector, for which expenditures have increased from 26.5 percent of GNP in 1954 to almost 33 percent of GNP in 1974, special attention will be accorded to those institutional factors which tend to dilute, avoid, or transfer political responsibility for revenue and expenditure decisions. These factors include:

- increasing elasticity of Federal and state revenues and the effect of this increase on inducing increased expenditures;
- the effect of Federally mandated expenditures on state and local governments, and the effect of state-mandated expenditures on local governments; and
- the effect of inflation on the tax system, particularly on the personal income tax.

The study will examine several possible ways to improve political decisions and accountability. Among these are:

- the indexation of Federal and state personnel income taxes so that revenue growth is tied to increases in real income, not price increases;
- the use of local tax and expenditure limitation strategies such as those used by several states and at least one Canadian province;
- the requirement that intergovernmental fiscal impact statements be prepared in connection with all Federal and state legislation calling for major changes in public outlay or revenue systems; and
- the requirement that higher levels of government assume or share fiscal responsibility for mandated expenditures.

The second major concern triggered by the steady growth of the Federal-state-local fiscal system relates to its direct impact on taxpayers in general and on low- and lower-middle-income taxpayers in particular. The estimated tax burden borne by the average family has virtually doubled in the last 20 years – rising from about 12 percent in 1954 to 24 percent of total family income in 1974.

ACIR's examination to date indicates that two major factors are primarily responsible for the fact that the tax burden borne by the average family is rising at a considerably faster rate than that of an upper-income family. Those factors are the inability of low-income taxpayers to take advantage of tax write-offs, and the growth in the Social Security Tax. ACIR's staff will examine several policies that would ease the tax impact of the rising public sector on low- and middle-income families. These include:

- possible modification of the present Federal income tax treatment of state and local taxes so as to enable low- and middle-income taxpayers to obtain a more generous write-off – the possible use of positive and negative tax credits and Federal circuit-breakers;
- possible modification of the treatment of interest and taxes for renters under present IRS provisions, unlike homeowners, renters are currently denied these write-off opportunities; and
- possible liberalization of the standard deduction privilege to compensate low- and moderate-income taxpayers for the rapid rise in state and local taxes and housing costs.

A NEW CONTEXT FOR URBAN PROBLEM SOLVING

Whatever intergovernmental strategies for urban improvement are developed in the fiscal or other areas, they should be considered against a backdrop of national change in the last part of this century. As those strategies are worked on, four hypotheses are worth considering:

- urban improvement may have to take place in an economy of scarcity;
- urban improvement must be based on new developments in science and technology;
- urban improvement cannot be fully secured unless greater attention is paid to considerations of equity and the quality of life; and
- urban improvement may, in the last analysis, depend on a change in the American value system itself.

Urban Problems in an Age of Scarcity

Every aspect of urban problem solving is aggravated by the fact that the United States appears to be entering, for the first time in its history, an age of scarcity. Allen Pritchard, Jr., then executive vice president of the National League of Cities, in his 1974 "State of the Cities" message observed that "In a world without resource limits it is possible to imagine" continuation of the traditional American policy for what *The New York Times* has called "the disposable city" concept.[25] But "in the new world of scarcity with which we must deal, necessity must become the mother not only of invention but of virtue."

There are three very good reasons why this must be so, according to Pritchard:

> First, the life process of urban areas – the process of deteriorations and escape – is simply too costly to be born . . . urban areas cannot continue to expand by underutilizing existing facilities while creating new ones. Urban development can no longer consume a disproportionate share of the world's resources . . . .
>
> Secondly, scarcity cuts across the life cycle of cities. In the '60s, we had to build two-and-one-half housing units simply to add a net gain of one to the housing stock in the central cities. The current downtrend in housing starts will turn from problem to crisis if subtractions from stock are not reversed by rehabilitation and construction. Currently, the bulldozers of destruction are gaining steadily on the bulldozers of construction in older urbanized areas.
>
> Finally, scarcity diminishes the differences between old cities and new ones. If a city sustains itself by addition rather than regeneration, it will age quickly when the resources for addition are not available.[26]

Urban Problems in an Age of Science

Mention has already been made in this report of the "ad hocracy" which has marked problem solving efforts generally in the United States. Part of the overall urban difficulty today is that the complexity and interwoven nature of many urban problems are not grappled with effectively by an approach which is ad hoc, piecemeal, and designed just to deal with the most critical pressure points. Today there is growing awareness that:

> The problem facing modern urban managers are complex and interrelated so that the intuitive, informal approach is no longer adequate. What is needed is rigorous,

> systematic analysis as an aid to informed judgment. The analytic techniques associated with systems analysis and the fruits of modern behavioral science are proferred as aids to the hard pressed urban manager.[27]

Urban policymakers and administrators have already begun to use the new techniques in particular cases and with some success, and a number of scholars and practitioners are at work constructing urban policy models which may have general application.[28] The widespread use of such tools, however, will entail "a significant investment of scarce resources, [but] they promise . . . that the investment will yield returns in excess of the costs." Nor are such tools easy to use. "While the adoption of rigorous systematic analysis may appear to be only a change in technique, it also entails a change in style, a new perception of himself and his role on the part of the urban administrator."[29] Nor is it wholly clear that even improved techniques will be productive of results. Anthony Downs, for one, is pessimistic that even great exertions of effort will be availing.[30] "Still, the search for improvement of managerial techniques cannot be abandoned."[31]

Urban Problems and the Quality of Life

Urban areas, up to now, have been developed in the United States largely as a response to economic considerations, including the forces of production, distribution, and consumption. One does not need to be a Thorstein Veblen to detect some of the results of that orientation – some of them good, and some bad. Over the years, but in spurts, there has been national concern for achieving equity, and American urban society today reflects that concern in a great variety of social programs and endeavors. Yet, the basic cleavages persist between groups of people in urban areas – between those in the ghettos and those in the suburbs, between those uptown and those below Market Street, between those in Cicero and those in Kenilworth. Some of these cleavages are caused by racial attitudes. The report of the National Advisory Commission on Civil Disorders is addressed to that problem. That Commission concluded that the major goal of the nation, should be "the creation of a true union – a single society and a single American identity." Toward that goal it proposed the following objectives for national action:

> Opening up opportunities for those who are restricted by racial segregation and discrimination, and eliminating all barriers to their choice of jobs, education, and housing.
>
> Removing the frustration of powerlessness among the disadvantaged by providing the means for them to deal with the problems that affect their own lives and by increasing the capacity of our public and private institutions to respond to these problems.
>
> Increasing communication across racial lines to destroy stereotypes, to halt polarization, end distrust and hostility, and create common ground for efforts toward public order and social justice.[32]

But there is more to the quality of life than developing equity among the races in the United States. We might have a system that provides a generous measure of freedom and democracy, of innovation and efficiency, and of equity – and still fail to provide what is ultimately most worthwhile for people, namely, the parts and conditions of human existence that go under the general rubric of "quality of life."

What is "quality of life?" We have seen a growing agreement that the traditional measures of people's well-being, such as the gross national product, the consumer price index, income and educational levels, however important they may be, are only one part of the equation of human happiness within society.

The new definitions, which some suggest should become formalized national goals measured by the relatively new science of social indicators,[33] go well beyond economics. There is no unanimity on definitions among groups which have approached the "quality of life" subject, but they include at least such standards as undefiled natural environment, clear air and clean water, health, accessible public transportation, cultural opportunities, and maximum opportunity for individual expression.

These standards have particular relevance for urban America, and fortunately the American federal system lends itself to achieving some or all of the goals. If definitions of the "quality of life," and efforts to use government to enhance them, are entrusted to the people in the existing communities in which they live and work (areas that could or should consider themselves natural polities – in some cases the natural polity may be a great metropolitan area, in some cases a smaller city and its environs, in the case of some of our more lightly populated regions, substate regions or entire states), one can envision a future in which the people of these communities engage in lively and continuous debate about the qualities of life most important to them. These are the qualities which they would want public policy to enhance and the trade-offs which they are willing to accept among themselves. The answers of the people of the Ozark Mountains will not be those of the people of the areas along Puget Sound; the preferences of Atlantans may be distinctly different from those of Chicagoans – and in each area, the definitions, the priorities, may change far more rapidly than any Washington level administrator could ever envisage. People in Maine's Washington County may be willing to cope with high levels of what the rest of us would call poverty, if they can be left alone to take their living from the sea and the land. One survey in Los Angeles showed that stray animals, garbage, and noise were the primary concern of ghetto residents – quite different, one would imagine, from the concerns of affluent suburbanites in the Los Angeles basin, but a set of problems with appropriate solutions and related demands on public resources far better bargained out in Los Angeles than on the Potomac. If the process of debate in the natural regions can encompass all the social and economic classes, and every level from the neighborhood on up, then we can approach, in part, the problem of alienation by giving Americans a renewed feeling of participation and mastery over their own destiny.

It is true that constituent parts of government in American today may not, and in all too many cases do not, correspond to natural polities – but that is a problem we can try to circumvent by new political entities, or by cooperative arrangements among existing jurisdictions. It does not for a moment mean that we should entrust the national government with broad power to decide, beyond certain minimum economic and environmental standards, the priorities for public life to enhance the quality of life of Americans living in 50 quite different states, in 200 and some metropolitan areas, and over 3,000 counties spread from sea to sea.[34]

Urban Problems and the American Way of Life

The eminent geographer, Jean Gottman, recently concluded that the "deep crisis of American cities expresses a large-scale transformation" of American society from one of production of goods and services to one in which "the predominant form of work consists of abstract transactions between people."[35] By 1975, he observed:

> The quaternary – or groups of four – occupations of management, professional, technical, and clerical workers amount[ed] to 40 percent of all employment in the United States and this percentage is on the rise. More people are employed in higher education than in the mining industries; many more in the financial services than in agriculture.

These changes in what most people do for a living "entail immediate consequences for the location and equipment of the places of work and for the way of life as a whole." Offices and factories become less important than ability to contact and communicate; physical work gives way to mental and intellectual activity; regular work hours have less meaning and relevance. The entire concept of the urban area, with its division of the area into downtown or industrial enclaves for work and acres of residential and recreational areas on the fringes for the other 16 hours of the day, with its concerns about congestion and traffic flows, on the one hand, and the need for mass transit facilities, on the other, with tax systems which seek to encourage industrial locations – all these aspects and more may in the long run have to be reexamined and replaced.

The problem is, how to do it. Gottman is not optimistic that "local government powers and planning theory in general are . . . adapted to deal with the entanglements of the new situation." He concludes that the ongoing mutation of American cities reflects "the dynamics of a society in search of new structures and a new ethic." His conclusion was seconded by *The New York Times,* which editorially called for "a revolution in the way Americans think and feel about their world" and in particular how they feel about their cities. Until the values change which led to the development of urban America as it is today, our cities, the *Times* concluded, will continue to decline.[36]

CONCLUSION

What has been said here and throughout this report, and what is central to the Advisory Commission's studies of urban problems on which this report is based, is the conviction that American urban society is worth saving. The connection between our high standard of living and the urban setting of most American activity today is not coincidental. What is called for is a series of actions which will produce, at the end, a revitalized American urban scene. America is fortunate in having, in federalism, a governmental device to permit accomplishment of that goal consistent with the American insistence on diversity and variation. The federal system already has begun to change to meet the challenge. Yet, the agenda of unfinished business is still long and the need for urban statesmanship at all levels remains great.

No better commemoration of the nation's Bicentennial could be made that a concerted and comprehensive effort to attend to this weighty business. The years that spanned 1776 to 1787, after all, were ones of high statecraft as well as of war and contentious peace. They were marked by a mighty, creative, and constructive effort to establish an effective constitutional order for the Declaration's ideals of liberty, equality, and responsible as well as responsive government – first within the states and finally for the nation. The principles and purposiveness, as well as the pragmatism, of the Founders constitute a noble legacy well worth honoring. And Urban America today has as much need of these traits as did Revolutionary America.

FOOTNOTES

[1] ACIR, *Impact of Federal Urban Development Programs on Local Government Organization and Planning* (Washington, D.C.: U.S. Government Printing Office, 1964), p. 30.

[2] ACIR, *Fiscal Balance in the American Federal System*, Vol. II (Washington, D.C.: U.S. Government Printing Office, October 1967), pp. 39-40.

[3] *Ibid.*, pp. 43-44.

[4] *The New York Times* (October 18, 1973), p. 12. The study was partially financed by the National Science Foundation.

[5] See the page one story to that effect in *The New York Times* (March 23, 1975).

[6] Calvin Trillin, "U.S. Journal: Houston. Some Thoughts on a Congress of Cities," *The New Yorker* (January 6, 1975), p. 59.

[7] From a speech of Allen E. Pritchard, Jr., Executive Vice President of the National League of Cities, Houston, Texas, December 1974, quoted in *The New York Times* (December 24, 1974), p. 5.

[8] *Congressional Record*, 120: E3947 (June 17, 1974).

[9] Merriam's proposal was made in "Federalism in Transition: The Dynamics of Change and Continuity," in *Federalism Today*, a publication of the Graduate School Press of the U.S. Department of Agriculture (Washington, D.C.: 1969), pp. 5-16.

[10] James L. Sundquist with David W. Davis, *Making Federalism Work*, (Washington, D.C.: The Brookings Institution, 1969).

[11] Richard D. Feld, "Federalism and the City: Where Do We Stand Today?" in Richard D. Feld and Carl Crafton, *The Uneasy Partnership: The Dynamics of Federal, State and Urban Relations* (Palo Alto, California: Mayfield, 1973), p. 128.

[12] Paraphrased in *ibid.*, pp. 28-29, from *Congressional Record*, 112: 6834 (1966).

[13] Sundquist and Davis, *op. cit.*, p. 19.

[14] *Ibid.*, p. 31.

[15] Robert E. Merriam, "American Federalism – A Paradox of Promise and Performance," a paper prepared for the National Conference on American Federalism in Action (February 20, 1975), pp. 23-24.

[16] ACIR, *Improving Federal Grants Management* (Washington, D.C.: U.S. Government Printing Office, 1976).

[17] Daniel J. Elazar, "The Resurgence of Federalism" *State Government* (Summer 1970), p. 173.

[18] "Supreme Court Grants NLC Plea for FLSA Stay," *Nation's Cities* (January 1975), pp. 9-12.

[19] John P. MacKenzie, "Court Backs States on Pay for Employees," *The Washington Post* (Friday, June 25, 1976), pp. A-1, A-8.

[20] *Nation's Cities, op. cit.*, p. 12.

[21] A Census Bureau statistic cited in *The New York Times* (April 21, 1975), p. 50.

[22] *Congressional Record*, 121:S 7941 (May 13, 1975).

[23] *Congressional Record*, 121:S 5437 (April 8, 1975). See also the remarks of Senator Jim Abourezk (D-S.D.), *ibid.*, 121: S. 6369-70 (April 21, 1975).

[24] *Congressional Record*, 121: S. 6369 (April 21, 1975).

[25] *The New York Times* (December 27, 1974), p. 30.

[26] NLC Urban Conservation Paper, *Second Annual State of the Cities Message*, delivered by Allen E. Pritchard, Jr., December 1, 1974, Houston, Texas, pp. 3-4.

[27] Henry J. Anna, "Science, Systems, and Cities," *Public Administration Review* (September/October 1973), p. 469.

[28] See *e.g.*, David C. Caputo, "Evaluating Urban Public Policy: A Development Model and Some Reservations." *Public Administration Review* (March/April 1973), pp. 113-119.

[29] Anna, "Science, Systems, and Cities."

[30] Anthony Down, *Urban Problems and Prospects* (Chicago, Illinois: Markham Publishing Co., 1970).

[31] Anna, "Science, Systems, and Cities."

[32] Report of the National Advisory Commission on Civil Disorders, *Summary of Report* (New York, 1968), p. 23.

[33] See the list of "quality of life factors" assembled by the committees of the National League of Cities in *State of the Cities 1974* (Washington, D.C.: National League of Cities, 1974), p. 10.

[34] Much of this section on the quality of life is adapted from Robert E. Merriam, "American Federalism – A Paradox of Promise and Performance," pp. 19-22.

[35] Jean Gottman, "When in Milwaukee, do . . . . ," *The New York Times* (June 2, 1975), p. 25.

[36] *The New York Times* (December 27, 1974), p. 30.

APPENDIX A

ACIR State Legislative Program: A Guide

ACIR State Legislative Program

A Guide

November 1975
Advisory Commission on Intergovernmental Relations
Washington, D.C. 20575
(202) 382-2114

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ACKNOWLEDGMENT

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The following persons served diligently on a panel which reviewed each proposal: Richard Carlson, director of research, Council of State Governments; Honorable Charles A. Docter, Maryland House of Delegates; Marcus Halbrook, director, Arkansas Legislative Council; David Johnston, director, Ohio Legislative Service Commission; William J. Pierce, executive director, National Conference of Commissioners on Uniform State Laws; Bonnie Reese, executive secretary, Wisconsin Joint Legislative Council; Honorable Karl Snow, Utah State Senator; and Troy R. Westmeyer, director, New York Legislative Commission on Expenditure Review.

The suggested legislation was also circulated in draft form to the following national organizations for review and comment:

Council of State Governments
International City Management Association
National Association of Counties
National Conference of State Legislatures
National Governors' Conference
National League of Cities
U.S. Conference of Mayors

The Commission acknowledges the financial assistance of the U.S. Department of Housing and Urban Development in updating and publishing this new edition of the *ACIR State Legislative Program*.

The Commission is grateful to all who helped to produce this volume, but the Commission alone takes responsibility for the policies expressed herein and any errors of commission or omission in the draftsmanship.

Wayne F. Anderson
Executive Director

PREFACE

This new edition of ACIR's *State Legislative Program* is presented as a reference for state legislators, state legislative service agencies, and others interested in strengthening the legislative framework of intergovernmental relations. The *State Legislative Program* has been divided into-ten parts, by subject matter.

Each part of the program has been published separately to facilitate both distribution and use. Each of these ten separate booklets contains, in addition to sugested legislation, a foreword which (1) briefly describes ACIR's legislative program and how it is developed, (2) describes how to use the suggested legislation, and (3) offers ACIR assistance to its users. It is noted that:

- suggested state legislation should seldom be enacted without first being tailored to the specific state for which it is intended;
- reasoned choices should be made among the various alternatives and optional provisions in the draft bills; and
- enactment of only part of a draft bill should be undertaken cautiously to avoid omission of essential interrelated provisions.

These points are explained more fully in the foreword to each booklet.

This guide is provided as an easy reference to the full table of contents of all ten booklets — listing every item of suggested legislation. An order blank is included to facilitate the ordering of any or all booklets which may be of interest.

The Advisory Commission on Intergovernmental Relations was established by Public Law 380, passed by the first session of the 86th Congress and approved by the President September 24, 1959. Section 2 of the act sets forth the following declaration of purpose and specific responsibilities for the Commission:

> *Section 2.* Because the complexity of modern life intensifies the need in a federal form of government for the fullest cooperation and coordination of activities between the levels of government, and because population growth and scientific developments portend an increasingly complex society in future years, it is essential that an appropriate agency be established to give continuing attention to intergovernmental problems.
>
> It is intended that the Commission, in the performance of its duties, will
>
> (1) bring together representatives of the Federal, state, and local governments for the consideration of common problems;
>
> (2) provide a forum for discussing the administration and coordination of Federal grant and other programs requiring intergovernmental cooperation;
>
> (3) give critical attention to the conditions and controls involved in the administration of Federal grant programs;
>
> (4) make available technical assistance to the executive and legislative branches of the Federal government in the review of proposed legislation to determine its overall effect on the federal system;
>
> (5) encourage discussion and study at an early stage of emerging public problems that are likely to require intergovernmental cooperation;
>
> (6) recommend, within the framework of the Constitution, the most desirable allocation of governmental functions, responsibilities, and revenues among the several levels of government; and
>
> (7) recommend methods of coordinating and simplifying tax laws and administrative practices to achieve a more orderly and less competitive fiscal relationship between the levels of government and to reduce the burden of compliance for taxpayers.

Pursuant to these responsibilities, the Commission chooses for study and recommendation particular problems which, if ameliorated, would enhance cooperation among the different levels of government and thereby improve the effectiveness of the federal system of government as established by the Constitution. The Commission has adopted a number of policy reports dealing with state and local government modernization, finances, and functional activities. The recommendations to the states on these matters have been translated into legislative language for consideration by the state legislatures. The resulting bills make up the *ACIR State Legislative Program.*

Robert E. Merriam
Chairman

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APPENDIX B

ACIR Publications

The Advisory Commission on Intergovernmental Relations is a permanent, independent commission established by the Congress in 1959 to monitor the operation of the American federal system and recommend improvements. Its membership includes 26 representatives of the executive and legislative branches of federal, state, and local government and the public.

ACIR publications reflect Commission research and policy over a wide range of intergovernmental issues and are available on order from the Government Printing Office. Single copies may be obtained without charge from the Advisory Commission on Intergovernmental Relations, Washington, D.C. 20575.

Reports printed within the past two years are listed as recent releases. Others are divided into three sections: taxation and finance, governmental structure, and issue areas.

Publications marked with a code beginning with "A" are ACIR policy reports, reflecting ACIR positions and recommendations. Those with codes beginning with "M" are information reports containing staff findings and research. The code "S" indicates an ACIR-commissioned poll.

Recent Releases

S-5 **1976 Changing Public Attitudes on Governments and Taxes.** July 1976.

Each year since 1972, the Commission has contracted with a national polling organization to gauge public opinion as to tax instruments, federal aid, and effectiveness of government.

A-50 ***State Taxation of Military Income and Military Store Sales.** July 1976.

In the fall of 1975, the ACIR passed strong recommendations regarding state and local taxes of military personnel in two areas—sales and income taxes. This volume describes the current status of military taxation and outlines the need for change.

M-106 ***Trends in Fiscal Federalism.** July 1976.

Primarily composed of charts and tables, this publication gives a factual overview of key trends in fiscal federalism for the past 20 years.

M-105 ***Pragmatic Federalism: The Reassignment of Functional Responsibility.** July 1976.

The transfer of functional responsibilities from municipalities to counties, states, or to the private sector is the subject of this publication, which builds upon an earlier ACIR study of intergovernmental service agreements. This volume also contains the results of an extensive survey of chief executives and administrators of municipalities over 2,500 population concerning their experiences with transfers of functions.

M-104 ***Understanding the Market for State and Local Debt.** May 1976.

This volume is designed to be a primer on borrowing by state and local governments.

M-103 ***In Respect to Realities.** A Report on Federalism in 1975. April 1976.

ACIR produces an annual volume detailing significant policy issues and identifying trends impacting on the federal system over the past year.

M-102 ***State Actions in 1975.** April 1976.

This report describes key state constitutional, legislative, and executive actions during 1975, with an emphasis on those with strong intergovernmental implications.

M-91 **ACIR State Legislative Program: A Guide.** Nov. 1975. 11 pgs. $.50.

This guide describes ACIR's State Legislative Program which was revised and updated in 1975. The 10 volume program is composed of 113 model bills designed to implement 16 years of Commission recommendations.

M-92 **ACIR State Legislative Program: 1. State Government Structure And Processes.** Nov. 1975. 52 pgs. $1.00.

This volume outlines state legislation to modernize and improve the legislative and executive branches of state government and to improve states' relationships with both the federal and their local governments.

M-93 **ACIR State Legislative Program: 2. Local Government Modernization.** Nov. 1975. 196 pgs. $2.00.

Model legislation to strengthen local governments is organized along three lines: formation, boundaries and dissolution; organization and function; and areawide units.

M-94 **ACIR State Legislative Program: 3. State and Local Revenues.** Nov. 1975. 146 pgs. $2.00.

State legislation in the area of property taxation is a key concern of this volume. It also includes legislative language in areas such as authorization for local sales and income taxes and assistance in local user charge formulation.

M-95 **ACIR State Legislative Program: 4. Fiscal and Personnel Management.** Nov. 1975. 108 pgs. $2.00.

Twelve bills on fiscal management include one describing a means for state intervention into local governmental financial emergencies. In addition, there are six suggested state bills in the area of personnel management.

M-96 **ACIR State Legislative Program: 5. Environment, Land Use and Growth Policy.** Nov. 1975. 146 pgs. $2.00.

State growth policy and land use and environmental planning and regulations are the two major areas of concern in this volume.

M-97 **ACIR State Legislative Program: 6. Housing and Community Development.** Dec. 1975. 196 pgs. $2.00.

Program operations and assistance are the primary concerns of 10 bills in this volume. Other bills in the volume are in the area of fair housing and building regulation.

M-98 **ACIR State Legislative Program: 7. Transportation.** Oct. 1975. 45 pgs. $1.00.

Volume Seven contains five bills to implement regional models for transportation delivery and planning.

M-99 **ACIR State Legislative Program: 8. Health.** Dec. 1975. 22 pgs. $1.00.

This volume deals with two aspects of the health problem: intergovernmental relations in the Medicaid program and the distribution of state aid to local governments for health and hospital services.

M-100 **ACIR State Legislative Program: 9. Education.** Dec. 1975. 66 pgs. $1.00.

State financing of public elementary and secondary schools is a key model bill in this volume. Other bills deal with issues such as areawide tax bases and educational accountability.

M-101 **ACIR State Legislative Program: 10. Criminal Justice.** Nov. 1975. 122 pgs. $2.00.

Recommended state legislation in this volume falls into three primary areas: police, courts, and corrections.

A-49 ***Toward More Balanced Transportation: New Intergovernmental Proposals.** Aug. 1975. 307 pgs. $3.75.

Regional transportation needs in both metropolitan and non-metropolitan areas are discussed in this report which also includes Commission recommendations for improving the current system.

American Federalism: Toward a More Effective Partnership. August 1975. 122 pgs. $5.00.

This is a report of and contains papers from the National Conference of American Federalism in Action, a conference sponsored by ACIR, February 20-22, 1975.

Taxation and Finance

S-4 **1975 Changing Public Attitudes on Governments and Taxes.** July 1975. 25 pgs.

M-87 ***Property Tax Circuit-Breakers: Current Status and Policy Issues.** Feb. 1975. 40 pgs.

M-86 ***Trends in Fiscal Federalism: 1954-1974.** Feb. 1975. 40 pgs. $.85.

M-42 ***City Financial Emergencies: The Intergovernmental Dimension.** July 1973. 186 pgs. $2.25.

A-48 ***General Revenue Sharing: An ACIR Reevaluation.** Oct. 1974. 65 pgs. $1.30.

M-84 ***The Expenditure Tax: Concept, Administration and Possible Applications.** March 1974. 64 pgs. $.70.

M-83 ***The Property Tax in a Changing Environment.** March 1974. 312 pgs. $3.60.

A-40 ***Financing Schools and Property Tax Relief—A State Responsibility.** Jan. 1973. 272 pgs. $2.50.

A-47 ***Local Revenue Diversification: Income, Sales Taxes and User Charges.** Oct. 1974. 96 pgs. $1.60.

A-31 ***Fiscal Balance in the American Federal System: Metropolitan Fiscal Disparities.** Vol. 2. Oct. 1967. 410 pgs. $2.25.

M-58 ***Measuring the Fiscal Capacity and Effort of State and Local Areas.** March 1971. 209 pgs. $1.75.

M-78 ***The Value-Added Tax and Alternative Sources of Federal Revenue.** Aug. 1973. 86 pgs. $1.15.

M-26 **State Technical Assistance to Local Debt Management.** Jan. 1965. 80 pgs.

A-1 **Coordination of State and Federal Inheritance, Estate, and Gift Taxes.** Jan. 1961. 134 pgs.

A-18 **Industrial Development Bond Financing.** June 1963. 96 pgs.

M-70 ***Special Revenue Sharing: An Analysis of the Administration's Grant Consolidation Proposals.** Dec. 1971. 63 pgs. $.40.

Governmental Structure

A-45 ***Governmental Functions and Processes: Local and Areawide.** Volume IV of **Substate Regionalism and the Federal System.** Feb. 1974. 176 pgs. $2.00.

A-44 ***The Challenge of Local Governmental Reorganization.** Volume III of **Substate Regionalism and the Federal System.** Feb. 1974. 200 pgs. $2.20.

A-43 ***Regional Decision Making: New Strategies for Substate Districts.** Volume I of **Substate Regionalism and the Federal System.** Oct. 1973. 433 pgs. $3.80.

A-41 ***Regional Governance: Promise and Performance.** Volume II of **Substate Regionalism and the Federal System.** May 1973. 356 pgs. $3.45.

A-46 ***A Look to the North: Canadian Regional Experience.** Volume V of **Substate Regionalism and the Federal System.** Feb. 1974. 144 pgs. $1.70.

M-68 ***In Search of Balance—Canada's Intergovernmental Experience.** Sept. 1971. 123 pgs. $1.25.

A-39 ***Multistate Regionalism.** April 1972. 271 pgs. $2.00.

M-69 ***Who Should Pay for Public Schools?** Oct. 1971. 44 pgs. $.35.

M-72 ***Profile of County Government.** Dec. 1971. 148 pgs. $1.25.

M-61 ***County Reform.** April 1971. 31 pgs. $.40.

Issues

M-90 ***State Actions 1974: Building on Innovation.** Feb. 1975. 64 pgs. $1.20.

M-89 ***Federalism in 1974: The Tension of Interdependence.** Feb. 1975. 32 pgs. $.85.

M-88 **16th Annual Report: ACIR The Year in Review.** Jan. 1975. 32 pgs.

A-38 ***State-Local Relations in the Criminal Justice System.** Aug. 1971. 308 pgs. $2.25.

A-35 ***Labor-Management Policies for State and Local Government.** Sept. 1969. 263 pgs. $2.00.

A-33 ***Intergovernmental Problems in Medicaid.** Sept. 1968. 122 pgs. $1.25.

A-13 **Intergovernmental Responsibilities for Water Supply and Sewage Disposal in Metropolitan Areas.** Oct. 1962. 135 pgs.

M-65 **Police Reform.** Aug. 1971. 30 pgs. $.40.

M-64 ***Correctional Reform.** Aug. 1971. 31 pgs. $.35.

M-63 **Court Reform.** July 1971. 31 pgs. $.35.

A-32 ***Urban and Rural America: Policies for Future Growth.** April 1968. 186 pgs. $1.50.

M-85 **American Federalism: Into the Third Century.** May 1974. 48 pgs. $.90.

Note

*Publications marked with an asterisk may be purchased directly from the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

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What is ACIR?

The Advisory Commission on Intergovernmental Relations (ACIR) was created by the Congress in 1959 to monitor the operation of the American federal system and to recommend improvements. ACIR is a permanent national bipartisan body representing the executive and legislative branches of Federal, state, and local government and the public.

The Commission is composed of 26 members – nine representing the Federal government, 14 representing state and local government, and three representing the public. The President appoints 20 – three private citizens and three Federal executive officials directly and four governors, three state legislators, four mayors, and three elected county officials from slates nominated by the National Governors' Conference, the Council of State Governments, the National League of Cities/U.S. Conference of Mayors, and the National Association of Counties. The three Senators are chosen by the President of the Senate and the three Congressmen by the Speaker of the House.

Each Commission member serves a two year term and may be reappointed.

As a continuing body, the Commission approaches its work by addressing itself to specific issues and problems, the resolution of which would produce improved cooperation among the levels of government and more effective functioning of the federal system. In addition to dealing with the all important functional and structural relationships among the various governments, the Commission has also extensively studied critical stresses currently being placed on traditional governmental taxing practices. One of the long range efforts of the Commission has been to seek ways to improve Federal, state, and local governmental taxing practices and policies to achieve equitable allocation of resources, increased efficiency in collection and administration, and reduced compliance burdens upon the taxpayers.

Studies undertaken by the Commission have dealt with subjects as diverse as transportation and as specific as state taxation of out-of-state depositories; as wide ranging as substate regionalism to the more specialized issue of local revenue diversification. In selecting items for the work program, the Commission considers the relative importance and urgency of the problem, its manageability from the point of view of finances and staff available to ACIR and the extent to which the Commission can make a fruitful contribution toward the solution of the problem.

After selecting specific intergovernmental issues for investigation, ACIR follows a multistep procedure that assures review and comment by representatives of all points of view, all affected levels of government, technical experts, and interested groups. The Commission then debates each issue and formulates its policy position. Commission findings and recommendations are published and draft bills and executive orders developed to assist in implementing ACIR policies.

END